ATLANTIC ACCEPTANCE CORPORATION LIMITED IN RECEIVERSHIP

(MONTREAL TRUST COMPANY RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1965

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# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# FINANCIAL STATEMENTS - DECEMBER 31, 1965

# INDEX

|  | <u>P</u> | age      | S   |
|--|----------|----------|-----|
| Atlantic Acceptance Corporation Limited - In Receivership: Combined Financial Statements Financial Statements (as a corporation) |          | to<br>to |     |
| Commodore Sales Acceptance Limited - In Receivership:<br>Statement of Deficiency in Net Assets                                   | 35       | to       | 42  |
| The Premier Finance Corporation Limited - In Receivership: Financial Statements  | 43       | to       | 50  |
| Adelaide Acceptance Limited:<br>Financial Statements   | 51       | to       | 57  |
| Atlantic Acceptance (Toronto) Limited: Financial Statements  |          | to       | 64  |
| Atlantic Finance Corporation Limited:<br>Financial Statements  | 65       |          | 72  |
| Commodore Factors Limited: Financial Statements  |          | to       | 79  |
| Concourse Agencies Limited: Financial Statements   |          | to       | 85  |
| Pay As You Study Plan Limited:<br>Financial Statements   |          | to       | 90  |
| Standard Discount Corporation Limited:<br>Financial Statements   | 91       | to       | 98  |
| Atlantic Acceptance Corporation Limited - In Receivership: Combining Financial Statements  | 99       | to       | 106 |

# ATLANTIC ACCEPTANCE CORPOLATION LIMITED - IN RECEIVERSHIP (MOMIRZAL TRUST COMPANY - RECEIVER AND MANAGER)

ETMANCIAL STATEMENTS - DECIMERS 31; 1965

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| 1 to 17<br>18 to 34 | Arlantic Acceptance Corporation Limited - in Receivership:<br>Combined Financial Statements<br>Financeal Statements (as a corporation) |
|---------------------|--|
|                     | Commodore Sales Acceptance Limited - In Receivership:<br>Statement of Deficiency in Net Assets   |
|                     | The Premier Figance Corporation Utmited - In Receivership:<br>Financial Statements   |
| 51 to 57            |  |
|                     |  |
|                     | Atlantic Finance Corporation Limited:<br>Financial Statements  |
|                     |  |
| 80 to 85            | Concentra Agencies Limited:<br>Financial Statements  |
|                     | Pay As You Study Plan Limited:<br>Pinancial Statements   |
| 89 03 19            | Standard Discount Corporation Limited: Financial Statements  |
|                     |  |

# Price Waterhouse & Co.

TORONTO 1

June 7, 1966.

#### AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the accompanying combined financial statements for 1965 (Exhibits 1, 2, 3 and 4) of Atlantic Acceptance Corporation Limited - In Receivership.

# Scope of examination:

Except for Standard Discount Corporation Limited, our examination covered the assets and liabilities and income and expenses included in the combined financial statements of Atlantic Acceptance Corporation Limited - In Receivership and included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors of Standard Discount Corporation Limited whose net assets comprise 4% of the aggregate net assets of \$85,071,751 shown in the Combined Statement of Deficiency in Net Assets as at December 31, 1965.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Combined Statement of Deficiency in Net Assets as at December 31, 1965 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership and to report on the transactions recorded subsequent to June 17, 1965 under the direction of the Receiver and Manager.

Combined Statement of Deficiency in Net Assets as at December 31, 1965 (Exhibit 1):

As explained in Note 1 to the financial statements, Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Combined Statement of Deficiency in Net Assets as a whole.

# PRICE WATERHOUSE & CO.

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June 7, 1966.

#### AUDITORS' REPORT

Montreal Trust Company, Receiver and Minager of Atlantic Acceptance Corporation Limited

We have examined the accompanying combined financial statements for 1965 (Exhibits 1, 2, 3 and 4) of Atlantic Acceptance Corporation Limited - In Accelverable,

# Scope of examination:

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The primary purpose of our examination was to enable us to form an opinion on whether or not the Corbine's Statement of Deficiency in Net Assits as at Nacesber 31, 1965 fairly presents the lightist position at that date of Alientle Acceptance Corporation limited. In Receivership and to ruport on the transactions recorded subsequent to June 17, 1965 under the direction of the Acceiver and Manages.

Compined Statement of Delicioney (a Net Assets os at December 31, 1905 (Axidet 7):

As explained in Nore 1 to the financial statements, Atlantic Acceptance torgoration limited has been in receiverable since june 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets allown in the Combined Statement of Delitionary is Not Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Combined Statement of Delicionary in the Assets as a whole.

However, in our opinion, cash (\$2,664,365), bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks (\$14,700,221), miscellaneous accounts receivable and income taxes recoverable (\$1,325,721), prepaid expenses (\$114,466), and fixed assets (\$92,756) are fairly presented in the Combined Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the amount of \$51,611,126, the estimated allowance for possible loss on the collection of notes and accounts receivable, has been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts the allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$5,245,532 (approximately \$9,600,000 at May 31, 1966 - Note 4 to the financial statements). We have been unable to form an opinion as to the amount which may be realized from this investment.

A value of \$700,000 has been placed on the shares to be received in Great Northern Capital Corporation Limited (Note 5 to the financial statements). This value exceeds the indicated market value at May 31, 1966 by approximately \$170,000.

We are also of the opinion that the liabilities are fairly presented in the Combined Statement of Deficiency in Net Assets except that:

Full provision has not been made for the fees and expenses of the Receiver and Manager (Note 7 to the financial statements).

Depending on a Court decision, there may be an addition of \$5,138,925 to the senior debt (Note 11 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after 1963 are not entitled to the security of the Senior Note indenture (Note 14 to the financial statements). The Combined Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$110,072,028 is entitled to the security of the indenture.

Combined Statement of Deficit for the period from January 1 to June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, with subsequent adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities as at June 17, 1965 (Exhibit 2)

Combined Statement of Loss for the period from January 1 to June 17, 1965 (Exhibit 3):

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations

However, in our opinion, cash \$52.054,365), bonds and breasing sill if the Government of Landdu and deposit receipts of Canadian chartered bank!

(\$14,326,270), interestionness accounts rightly and fixed secent \$892.756) are fatrly presented in the Cambinod Statement of Desireson (n Net Assets. Our commonis on the other assets shown in the statement are as fullows:

We consider that the amount of \$11,011,120, the astinated allowance for noisible loss on the collection of notes and accounts receivable, has been carefully continued in the light of correct conditions. However, because of the uncertainties arising from the liquidation of the accounts the situation was be greater or less than the amount which might ultimately be inquired to provide for the losses from bad debte.

The investment sade by the Sectiver and Manager to Lucayan Anach Hotel said Development Limited through stores, debentures and advances totals \$5,545,512 (approximately \$5,600,000 at May 31, 1966 - Note to the florately septembers. We have been unable to form an opinion as to the amount which may be resided from this investment.

A value of \$700,000 has been placed on the shares to be received to Great not share State Corporation Dimited (once 5 to the finencial statements). This value excepts the indicated market value an May 31, 1905 by approximately \$170,000.

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Combined Statumman of Bottott for the partid from langary I to June 17, 1765, the date dues Attentite Acceptance Corporation Limited went into secrif-red.m. with subsequent adjustments during the period from land in to versions 31, 1865 relating to the mesets and like lives as at 1 as 17, 1765 (Exhibit 2)

Combined Statement at Loss for the parson from Industry 1 to

Became the utaits of the companies is an Atlantic group for the prior prior to the variations of the prior of the prior to the variation of the second of th

came under the control of the Receiver and Manager, we are not in a position to express an opinion on the operations of the company as set out in the Combined Statement of Deficit (Exhibit 2) and the Combined Statement of Loss (Exhibit 3) for the period from January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in Exhibit 2, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of certain important assets as referred to in the preceding section of this report.

Combined Statement of Loss for the period from June 18 to December 31, 1965 (Exhibit 4):

Except that full provision has not been made for the fees and expenses of the Receiver and Manager (Note 7 to the financial statements) and that we are unable to form an opinion as to the amount which may be realized from the investment in Lucayan Beach Hotel and Development Limited (Note 4 to the financial statements), in our opinion, the Combined Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the combined income and expenses arising in that period from the net assets under the control of the Receiver and Manager.

Chartered Accountants.

Price Waterhouse , Co.

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# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

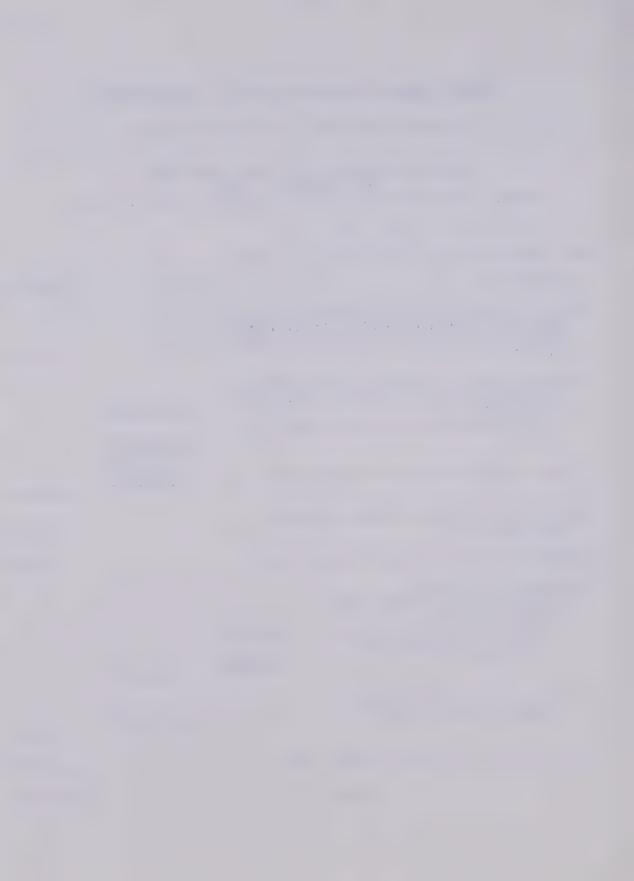
COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS

AS AT DECEMBER 31, 1965

(See Note 1 for basis of preparation of combined financial statements.)

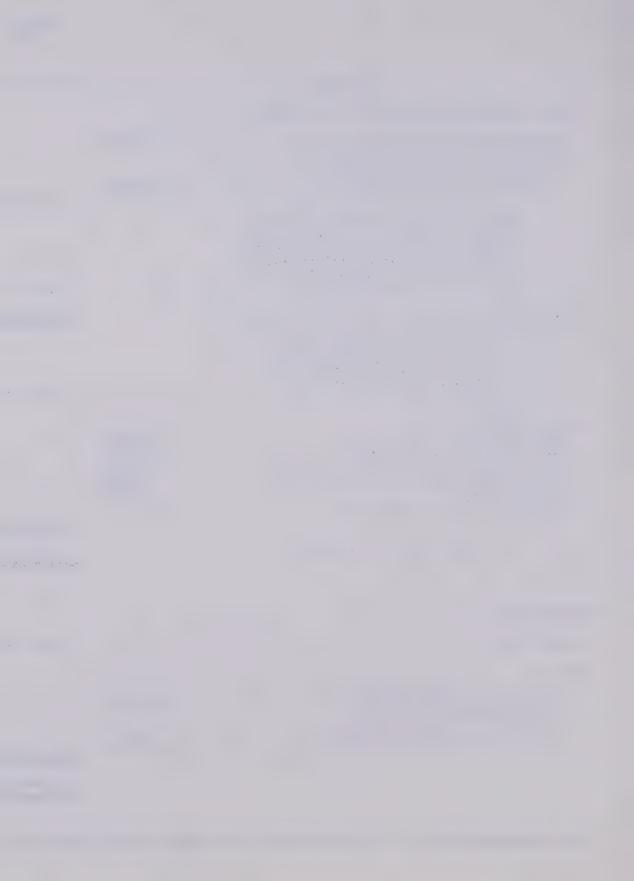
| Assets under the control of the Receiver   | and Manager:   |                             |              |
|--|--|-----------------------------|--------------|
| Cash (Note 2)  |  |                             | \$ 2,664,365 |
| Bonds and treasury bill of the Governme<br>and deposit receipts of Canadian char<br>maturing within one year, at cost plu<br>interest                | etomod ball  |                             | 14,700,221   |
| Instalment notes and accounts receivabl<br>Instalment contracts, less unearned i<br>\$7,816,159<br>Interest-bearing loans, including acc<br>interest | nterest of   | \$ 47,182,448<br>66,494,074 | 143700,221   |
| Less- Estimated allowance for possibl  | e loss   | 113,676,522<br>51,611,126   | 62 0/5 20/   |
| Miscellaneous accounts receivable and i  | ncome  |                             | 62,065,396   |
| taxes recoverable  |  |                             | 1,325,721    |
| Prepaid expenses, at estimated realizab  | le value   |                             | 114,466      |
| Investments and advances:  Lucayan Beach Hotel and Development Limited (Note 4)- Shares and debentures, at cost Advances, including accrued interest | \$3,615,154<br>_1,630,378  |                             |              |
|  | Company Compan | 5,245,532                   |              |
| Shares of Great Northern Capital<br>Corporation Limited (Note 5)   |  | 700,000                     | 5 0/5 522    |
| Fixed assets, at estimated realizable va   | 1110   |                             | 5,945,532    |
|  | 140  |                             | 92,756       |
| T  |  |                             |              |

Forward



| Forward  |   | \$ 86,908,457          |
|--|---|------------------------|
| Deduct- Liabilities of the Receiver and Manager:   |   |                        |
| Accounts payable and accrued liabilities Amounts due to dealers when related instalment notes and accounts receivable are collected (Note 6)   | \$ 1,275,593  |                        |
| receivable are corrected (note sy  |   | 1,836,706              |
| Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965, before full provision for the fees and expenses of the Receiver and Manager (Note 7) |   | 85,071,751             |
|  |   | 110,072,028            |
| Deduct- Senior debt (Notes 8 and 11)  Deficiency in net assets to meet senior debt outstanding, before full provision for the fees and expenses of the Receiver and  |   |                        |
| Manager (Note 7)   |   | 25,000,277             |
| Other liabilities: Subordinated debt (Note 9) Junior subordinated debt (Note 10) Due in respect of notes cancelled (Note 11) Accounts payable and accrued liabilities Dividends payable                                  | 17,260,821<br>4,476,074<br>5,138,925<br>78,706<br>249,430 |                        |
| Contingent liabilities (Note 12)   |   | 27,203,956             |
| Deficiency in net assets   |   | \$ 52,204,233          |
| Represented by:  |   |                        |
|  |   | \$ 14,455,087          |
| Capital stock  |   | ų 11, 133, 00 <i>1</i> |
| Deficit- As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2) For the period from June 18 to December 31, 1965, represented by  | \$ 66,379,855   |                        |
| the loss for the period (Exhibit 4)  | 279,465   | (66,659,320)           |
|  |   | \$ 52,204,233          |

(The accompanying notes are an integral part of the combined financial statements.)



# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD

FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE

ASSETS AND LIABILITIES AS AT JUNE 17, 1965

| Retained earnings at December 31, 1964, as shown by the audited consolidated financial statements |                | \$ 1,404,340       |
|---|----------------|--------------------|
| Add- Transfer of first preference share redemption reserve  | 2              | 46,736             |
|   |                | 1,451,076          |
| Deliver   |                |                    |
| Deduct: Dividends-  |                |                    |
| First preference shares   | \$ 7,983       |                    |
| Second preference shares-   |                |                    |
| Series "A"<br>Series "B"  | 136,800        |                    |
| Third preference shares   | 7,200<br>4,500 |                    |
| Common shares   | 314,873        |                    |
|   | 471,356        |                    |
| Write down of furniture and fixtures  | 12,871         |                    |
| Goodwill written off  | 65,000         |                    |
| Loss for the period from January 1  |                |                    |
| to June 17, 1965 (Exhibit 3)  | 2,813,660      |                    |
| Premium on senior and subordinated notes  | 2,446,457      | 5,809,344          |
|   |                | <del></del>        |
| Deficit, as shown by the unaudited consolidated financial statements                              |                |                    |
| at June 17, 1965  |                | 4,358,268          |
| ac danc 17, 1909  |                | +,550, <b>2</b> 00 |
| Add- Adjustments during the period from June 18   |                |                    |
| to December 31, 1965 relating to the assets   |                |                    |
| and liabilities at June 17, 1965:   |                |                    |
| Notes and accounts receivable at June 17, 1965  |                |                    |
| written off as uncollectible, less allowance  |                |                    |
| for possible loss at that date  | 4,918,241      |                    |
| Estimated provision for possible loss on collection   |                |                    |
| of remainder of notes and accounts receivable at June 17, 1965                                    | 51,106,822     |                    |
| Increase in unearned interest at June 17, 1965  | J191000022     |                    |
| (Note 13)   | 4,619,654      |                    |
|   | 200 (11 777    | A / 0 = 1          |
| Forward   | \$60,644,717   | \$ 4,358,268       |

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to the second of the second of

| Forward  | \$60,644,717 | \$ 4,358,268 |
|--|--------------|--------------|
|  |              |              |
| Deferred charges written off-                  |              |              |
| Unamortized long-term debt financing           |              |              |
| expenses                                       | 1,080,497    |              |
| Unamortized cost of investment in              |              |              |
| subsidiary companies in excess of              |              |              |
| book value at date of acquisition              | 1,002,118    |              |
| Prepaid expenses                               | 560,171      |              |
| Unamortized cost of developing new             |              |              |
| branches                                       | 494,385      |              |
| Leasehold improvements, less accumulated       |              |              |
| depreciation                                   | 21,629       |              |
| Loss arising when an asset of one of the       |              |              |
| companies, having a book value of \$750,000,   |              |              |
| was seized by the bank in partial satisfaction |              |              |
| of their loan of \$614,001                     | 135,999      |              |
| Write-down of fixed assets to estimated        |              |              |
| realizable value                               | 75,698       |              |
| Adjustment (net) in liabilities recorded       |              |              |
| at June 17, 1965                               | 98,064       |              |
| Adjustment of income taxes, mainly in respect  |              |              |
| of the year ended December 31, 1964            |              |              |
| recoverable as a result of losses in 1965      | (812,475)    |              |
| Value assigned to shares of Great Northern     |              |              |
| Capital Corporation Limited (Note 5)           | (700,000)    |              |
| Adjustment of foreign exchange on notes        |              |              |
| payable in United States dollars based         |              |              |
| on exchange rates at December 31, 1965         | (534,616)    |              |
| Amount received in excess of miscellaneous     |              |              |
| account receivable recorded at June 17, 1965   | (44,600)     |              |
|  |              | 62,021,587   |
|  |              |              |
| Deficit at June 17, 1965, as                   |              |              |
| adjusted to December 31, 1965                  |              | \$66,379,855 |
|  |              |              |

(The accompanying notes are an integral part of the combined financial statements.)

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# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

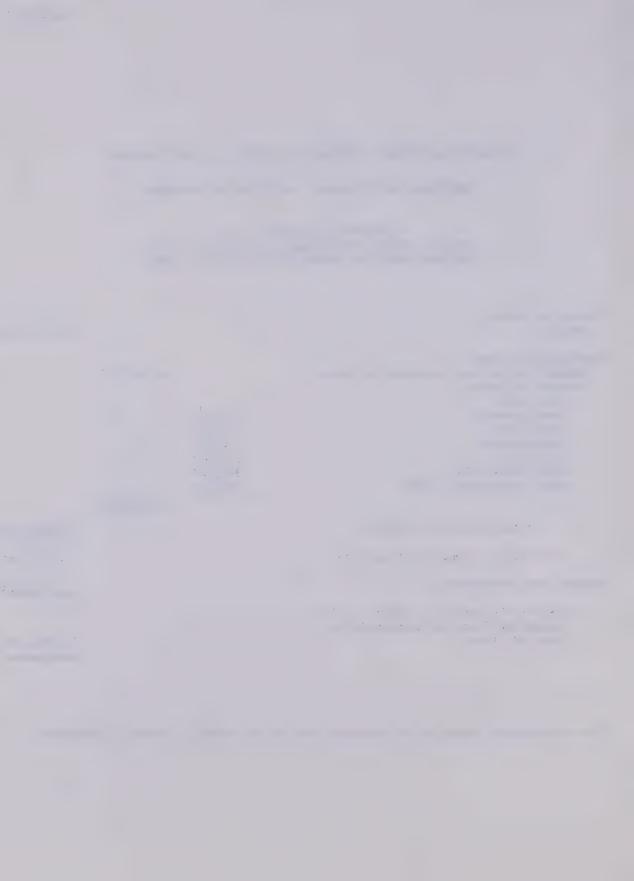
COMBINED STATEMENT OF LOSS

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

| Operating income:<br>Interest   |  |             | \$ 9,077,552 |
|---|--|-------------|--------------|
| Operating expenses: Administrative, per statement attached Interest on notes- Senior debt- Bank advances Short-term Medium-term Long-term Subordinated debt | \$ 120,141<br>1,126,107<br>116,382<br>1,159,988<br>391,228 | \$9,009,792 |              |
| Junior subordinated debt  | 105,156  | 3,019,002   |              |
| Total operating expenses  |  |             | 12,028,794   |
| Loss before income tax adjustment   |  |             | 2,951,242    |
| Income taxes recoverable  |  |             | 137,582      |
| Loss for the period, as shown by the unaudited financial statements at June 17, 1965  |  |             | \$ 2,813,660 |

(The accompanying notes are an integral part of the combined financial statements.)



# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF ADMINISTRATIVE EXPENSES FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965, THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

| Advertising Amortization of cost of developing new branches Amortization of debt financing expenses | \$ 55,784<br>97,614<br>55,211 |
|---|-------------------------------|
| Amortization of premium on debentures of  | 0.006                         |
| subsidiary company  | 8,026                         |
| Bank charges, including interest  | 53,305                        |
| Capital and place of business taxes   | 30,743                        |
| Collection expenses   | 14,585                        |
| Credit information  | 36,477                        |
| Creditors' life insurance   | 98,104                        |
| Depreciation  | 22,698                        |
| Directors' fees   | 3,000                         |
| Discounts to dealers  | 418,971                       |
| Employee benefits   | 31,767                        |
| Financial advisory fees   | 89,119                        |
| Foreign exchange-   | 1 165 007                     |
| On debts payable in United States dollars   | 1,165,297                     |
| Other   | 77,150                        |
| Insurance   | 23,392                        |
| Legal and audit   | 42,926                        |
| Miscellaneous   | 32,621                        |
| Notary, filing and recording fees   | 43,343                        |
| Occupancy   | 34,601                        |
| Office equipment rental   | 124,172                       |
| Office maintenance  | 40,786                        |
| Postage   | 35,828                        |
| Printing, stationery and office supplies  | 134,464                       |
| Provision for possible loss on notes and  | . 0.40 0.50                   |
| accounts receivable   | 4,248,353                     |
| Rent  | 197,792                       |
| Salaries  | 1,481,990                     |
| Telephone and telegraph   | 172,252                       |
| Travel and automobile expenses  | 281,262                       |
|   | 9,151,633                     |
| Less- Portion of expenses relating to the   |                               |
| development of new branches deferred for  |                               |
| write off against future earnings   | 141,841                       |
| Wille oir against rature carnings   |                               |
|   | \$9,009,792                   |
|   |                               |

(The accompanying notes are an integral part of the combined financial statements.)

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# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

| Operating income: Interest (Note 13) Interest on advances to Lucayan Beach Hotel and Development Limited Interest on marketable securities   |  |             | \$7,742,083<br>66,348<br>100,114<br>7,908,545 |
|--|--|-------------|---|
| Operating expenses: Administrative, per statement attached Interest on notes- Senior debt- Bank advances Short-term Medium-term Long-term Subordinated debt Junior subordinated debt Interest on notes cancelled | \$ 243,723<br>1,265,529<br>147,405<br>1,492,424<br>540,999<br>142,366<br>124,425 | \$4,231,139 |   |
| Total operating expenses  Loss for the period  |  |             | 8,188,010<br>\$ 279,465                       |
| 1035 Ioi the period  |  |             |   |

(The accompanying notes are an integral part of the combined financial statements.)

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# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

### (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

| Advertising Bank charges, including interest Capital and place of business taxes Collection expenses Credit information Creditors' life insurance Depreciation Discounts to dealers Employee benefits Foreign exchange Tnsurance   | \$   | 26,555 73,458 10,592 20,784 20,136 96,546 32,064 60,342 34,788 43,745 24,840 |
|--|------|--|
| Legal and audit  |      | 58,213   |
| Management and consulting fees to G.A.C.  International Acceptance Corporation Limited   |      | 30,213   |
| and G.A.C. International Finance Corporation Limited   |      | 187,938  |
| Miscellaneous  |      | 25,396   |
| Notary filing and recording fees   |      | 27,119   |
| Occupancy  |      | 53,695   |
| Office equipment rental  |      | 145,322  |
| Office maintenance   |      | 50,282   |
| Postage  |      | 45,439   |
| Printing, stationery and office supplies   |      | 88,094   |
| Provision for possible loss on notes and   |      |  |
| accounts receivable  |      | 659,982  |
| Rent   |      | 239,242  |
| Salaries   | 1,   | 643,603  |
| Telephone and telegraph  |      | 217,107  |
| Travel and automobile expenses   |      | 283,238  |
|  | 4.   | 168,520  |
| Expenses of the Receiver and Manager (Note 7)  | ,    | 62,619   |
| The state of the s |      | ,,   |
|  | \$4, | 231,139  |

(The accompanying notes are an integral part of the combined financial statements.)

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#### ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 1965

# 1. Basis of preparation of combined financial statements:

As a result of default under the Senior Note indenture, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance Corporation Limited on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of the subsidiary companies. To further assist in orderly liquidation, on July 29, 1965 Montreal Trust Company was appointed Receiver and Manager of two of the company's subsidiaries, The Premier Finance Corporation Limited and Commodore Sales Acceptance Limited.

The accompanying Combined Statement of Deficiency in Net Assets as at December 31, 1965 (Exhibit 1) includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited, The Premier Finance Corporation Limited and Commodore Sales Acceptance Limited, and
- (b) the assets of the following subsidiaries which are not in receivership but are under the control of the Receiver and Manager:

Adelaide Acceptance Limited
Atlantic Acceptance (Toronto) Limited
Atlantic Finance Corporation Limited
Commodore Factors Limited
Concourse Agencies Limited
Pay As You Study Plan Limited
Standard Discount Corporation Limited.

The assets are stated at estimated realizable values and there has been deducted therefrom the liabilities of the Receiver and Manager, in respect of the three receiverships, and also the liabilities of the above subsidiaries not in receivership, to arrive at the estimated realizable value of net assets under the control of the Receiver and Manager which are available for creditors as of June 17, 1965 (before full provision for the fees and expenses of the Receiver and Manager referred to in Note 7).

In order to reconcile the retained earnings shown in the consolidated accounts of Atlantic Acceptance Corporation Limited and subsidiary companies as at December 31, 1964 with the deficit shown by the Combined Statement of Deficiency in Net Assets as at December 31, 1965, there are attached, as Exhibits 2 and 3 respectively, a Combined Statement of Deficit and Combined Statement of Loss, showing the results of the operations of Atlantic Acceptance and subsidiary companies from January 1 to June 17, 1965 as shown by the unaudited consolidated financial statements of the companies at June 17, 1965 and as set out in the

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report of the Receiver and Manager dated August 18, 1965. The subsequent adjustments to the accounts at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Combined Statement of Deficit (Exhibit 2).

The results of the operations carried out by or under the direction of the Receiver and Manager, in respect of the assets acquired from the three companies in receivership and the above companies not in receivership, are set out in the Combined Statement of Loss shown on Exhibit 4.

In combining the financial statements as described above, all inter-group assets and liabilities and income and expenses have been eliminated.

The financial statements of Lucayan Beach Hotel and Development Limited have not been combined with those of Atlantic Acceptance because Lucayan's operations are different and unrelated to those of the other companies in the group. For information concerning Lucayan reference should be made to Note 4.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange as at December 31, 1965.

# 2. Cash:

Cash includes bank deposits of \$970,862 which were seized on June 17, 1965 by the depositaries who await direction from the Court as to the disposition thereof. Certain banks have claimed a right to offset \$965,465 of these deposits against bank advances and short-term notes which form part of the senior debt of the company.

### 3. Instalment notes and accounts receivable:

The receivables are generally represented by promissory notes secured in many cases by conditional sales contracts, chattel mortgages, mortgages on real property, or other commercial paper. Included in the receivables are interestbearing loans made by Adelaide Acceptance, Commodore Sales and Commodore Factors which aggregate approximately \$44,000,000 and against which a provision of approximately \$35,500,000 has been made as an estimated allowance for possible loss on collection since most of the debtors are in financial difficulties or in bankruptcy. For the most part, the remaining receivables are payable over periods of up to five years. Every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances, and arrangements have also been made for the sale of any or all of notes aggregating approximately \$73,000,000, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

A provision of \$51,611,126 has been made in the Combined Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

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# 4. Lucayan Beach Hotel and Development Limited:

In order to protect the security (in the form of a minority interest of approximately 30% in the shares of Lucayan) for certain substantial loans made by Commodore Sales and to improve the prospects of recovery from such loans, the Receiver and Manager took steps to acquire control of Lucayan by purchasing 61.4% of the outstanding shares of that company and second mortgage debentures of the face value of U.S. \$1,200,000, for an aggregate consideration of \$3,615,154. The shares purchased plus the shares held as collateral for loans total over 90% of the outstanding shares of Lucayan.

A value of approximately \$2,000,000 has been placed on the shares held as collateral when determining the estimated recovery from the loans made by Commodore Sales which are included in the instalment notes and accounts receivable.

The Receiver and Manager also made advances to Lucayan totalling \$1,630,378 to December 31, 1965 to assist it in meeting its current obligations. The security for advances made to Lucayan is to be a floating charge debenture covering all of the assets of the company.

The total investment made by the Receiver and Manager in Lucayan through shares, debentures and advances amounted to approximately \$9,600,000 at May 31, 1966, the principal change in 1966 being an additional advance of \$3,853,175 to enable Lucayan to retire a first mortgage on the hotel properties.

# 5. Shares of Great Northern Capital Corporation Limited:

As mentioned in Note 1, Commodore Sales was placed in receivership on July 29, 1965 when the Receiver and Manager took over all of the assets of Commodore Sales which, except for a short-term note of Atlantic Acceptance pledged as security for a bank loan to Commodore Sales, were charged as security for the senior debt of Atlantic Acceptance. Thus, following the receivership, Commodore Sales had no assets and the security taken over by the Receiver and Manager was insufficient to liquidate the liability to Atlantic Acceptance.

Under an agreement of December 28, 1965 the Receiver and Manager of Atlantic Acceptance sold the shares of Commodore Sales to Great Northern Capital Corporation Limited for 200,000 shares without par value of that company's capital stock. The shares are receivable when a proposal made by Commodore Sales to its creditors under the Bankruptcy Act has been approved by the creditors and the Court. The creditors and the Court approved the proposal in 1966. In the agreement a value of \$700,000 (i.e. \$3.50 per share) was placed on the 200,000 shares of Great Northern and this value has been used for purposes of the accounts. The bid price of the shares of Great Northern, which are traded on the Toronto Stock Exchange, was \$3.00 per share on December 31, 1965 and \$2.65 per share on May 31, 1966.

# 6. Amounts due to dealers:

It is anticipated that the amount due to dealers arising from the companies in receivership (\$395,301) may be required to provide for losses on the related receivables of those companies.

# 7. Fees and expenses of the Receiver and Manager:

Except for expenses aggregating \$62,619 shown in the Statement of Administrative Expenses for the period from June 18 to December 31, 1965, no provision has been made in the Combined Statement of Deficiency in Net Assets for the fees and expenses of the Receiver and Manager which are subject to Court approval.

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\$110,072,028

# 8. Senior debt:

The senior debt of the company, which became due and payable upon the default referred to in Note 1, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

| Park adversage (Note 2).                            |                    |   |
|---|--------------------|---|
| Bank advances (Note 2): Payable in Canadian dollars | \$ 3,250,000       |   |
| Payable in United States dollars (U.S. \$4,000,000) | / 200 000          |   |
| (0.5. 94,000,000)                                   | 4,300,000          | \$ 7,550,000                            |
| Short-term notes:                                   |                    | , ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |
| Payable in Canadian dollars                         | 30,270,135         |   |
| Payable in United States dollars                    | 17 1/0 /75         |   |
| (U.S. \$15,953,000)                                 | 17,149,475         | 47,419,610                              |
| Medium-term notes:                                  |                    | 47,410,010                              |
| Payable in Canadian dollars-                        |                    |   |
| 5 %   | 100,000            |   |
| 5 3/8%<br>5 7/8%                                    | 140,000            |   |
| Payable in United States dollars-                   | 700,000            |   |
| 5 % (U.S. \$2,000,000)                              | 2,150,000          |   |
| 5 1/4% (U.S. \$2,000,000)                           | 2,150,000          |   |
|   |                    | 5,240,000                               |
| Long-term notes:                                    |                    |   |
| Payable in Canadian dollars-                        | 0// 000            |   |
| Series B 6 1/2%<br>Series C 5 3/4%                  | 846,000<br>600,000 |   |
| Series D 5 3/4%                                     | 400,000            |   |
| Series E 6 1/4%                                     | 400,000            |   |
| Series F 5 1/4%                                     | 100,000            |   |
| Series G 6 1/4%                                     | 100,000            |   |
| Series H 6 %  | 700,000            |   |
| Series I 6 % Series O 6 1/8%                        | 1,250,000          |   |
| Payable in United States dollars-                   | 1,500,000          |   |
| Series A 6 1/2% (U.S. \$3,384,000)                  | 3,637,800          |   |
| Series J 6 % (U.S. \$2,250,000)                     | 2,418,750          |   |
| Series K 6 % (U.S. \$1,500,000)                     | 1,612,500          |   |
| Series L 6 % (U.S. \$2,500,000)                     | 2,687,500          |   |
| Series M 6 % (U.S. \$2,500,000)                     | 2,687,500          |   |
| Series N 5 3/4% (U.S. \$7,500,000)                  | 8,062,500          |   |
| Series P 6 % (U.S. \$1,500,000)                     | 1,612,500          |   |
| Series Q 6 % (U.S. \$8,500,000)                     | 9,137,500          |   |
| Series R 5 7/8% (U.S. \$5,460,000)                  | 5,869,500          |   |
|   | 43,622,050         |   |
| Redemption premium                                  | 2,165,696          |   |
|   |                    | 45,787,746                              |
|   |                    | 105,997,356                             |
| Accrued interest on senior debt to December 31      | , 1965             | 4,074,672                               |
|   |                    | 6110 070 000                            |

### 9. Subordinated debt:

The subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

| Payable in Canadian dollars-  6 %  6 1/4%   | \$ 23,500<br>4,500,000                                      |
|---|---|
| Payable in United States dollars- 6 1/2% (U.S. \$2,250,000) 6 1/2% (U.S. \$ 782,000) 6 % (U.S. \$3,478,000) 6 1/4% (U.S. \$2,340,000) 6 1/4% (U.S. \$2,000,000) | 2,418,750<br>840,650<br>3,738,850<br>2,515,500<br>2,150,000 |
| Redemption premium  | 16,187,250<br>400,246<br>16,587,496                         |
| Accrued interest on subordinated debt to December 31, 1965  | 673,325   |
|   | \$17,260,821  |

### 10. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

| Payable in Canadian dollars- 6 1/2% 6 3/4% 6 3/4%                                 | \$ 1,000,000<br>400,000<br>150,000 |
|---|------------------------------------|
| Payable in United States dollars- 6 % (U.S. \$2,000,000) 6 1/2% (U.S. \$ 500,000) | 2,150,000<br>537,500<br>4,237,500  |
| Accrued interest on junior subordinated debt to December 31, 1965                 | 238,574                            |
|   | \$ 4,476,074                       |

## 11. Due in respect of notes cancelled:

On June 14, 1965 two short-term notes aggregating \$5,010,000, a part of the senior debt of the company, were paid by cheques and the notes were delivered to, and cancelled by, the Trustee for the noteholders. The cheques were not honoured on presentation, and an action has been commenced in the Supreme Court of Ontario against the Trustee and the company for an order declaring the validity of the short-term senior notes. Judgement has not yet been handed down by the Court.

If the Court rules that the notes are valid, the total amount owing under these notes (\$5,138,925, which includes accrued interest thereon to December 31, 1965) will become part of the senior debt of the company.

### 12. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$550,000 and it is possible that there may be additional contingent liabilities. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

## 13. Method of taking up income from instalment sales contracts:

At December 31, 1965, approximately 85% of the instalment contracts receivable (viz. those on which the outstanding balances include unearned interest) were owned by two of the companies, Atlantic Acceptance Corporation Limited and Atlantic Finance Corporation Limited. Up to June 17, 1965, it was the practice of these companies to take into income in the month of acquisition of such receivables a substantial portion (usually 40%) of the unearned interest included in the contract and to take the balance into income over the life of the contract using the Sum of the Months Digits Method (sometimes referred to as the "Rule of 78ths"). The unearned interest included in the accounts of these companies at June 17, 1965 has been restated on the basis that all of the unearned interest originally included in a receivable is taken up on the Sum of the Months Digits Method. Also income from all new business written after June 17, 1965 has been taken up on the same basis. While this change in the method of taking up income has had a significant effect on the accounts of the companies, no estimate has been made of its effect on income of past periods or of future periods.

The basis of providing for unearned interest at December 31, 1965 approximates that which will be used in computing the sale price of accounts being sold by these companies under the agreement of July 21, 1965 as referred to in Note 3.

#### 14. Litigation:

Two actions have been commenced in the Supreme Court of Ontario against Montreal Trust Company, in its capacity as Trustee for the holders of senior notes, for a declaration of the Court that certain outstanding senior notes were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. The plaintiff in the first action is one Donald Ross, suing on behalf of himself and all other holders of the initial series of subordinated notes, and the plaintiff in the second action is Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture. The senior notes impugned in this litigation comprise the outstanding short-term notes and medium-term notes issued after 1963 and the Series O to Series R notes. Montreal Trust Company has instructed its solicitors to take appropriate steps to the end that the actions will be defended by or on behalf of the holders of such senior notes.

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June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) as at December 31, 1965, the Statements of Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965.

### Scope of examination:

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Statement of Deficiency in Net Assets as at December 31, 1965 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) and to report on the transactions recorded subsequent to June 17, 1965 under the direction of the Receiver and Manager.

## Statement of Deficiency in Net Assets as at December 31, 1965 (Exhibit 1):

As explained in Note 1 to the financial statements, Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$1,991,733), bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks (\$14,700,221), miscellaneous accounts receivable and income taxes recoverable (\$730,882), prepaid expenses (\$75,513), and fixed assets (\$7,473) are fairly presented in the Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

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We consider that the amount of \$10,000,000, the estimated allowance for possible loss on the collection of notes and accounts receivable, has been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts the allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

The investment in wholly-owned subsidiary companies in the amount of \$32,668,998 and the estimated equity in assets held by the Receiver and Manager arising from the receivership of Commodore Sales Acceptance Limited and The Premier Finance Corporation Limited in the amount of \$7,681,873 are stated at the estimated realizable value of the underlying assets, most of which consist of notes and accounts receivable whose value on liquidation is subject to the uncertainties mentioned above. In estimating the realizable values of the underlying assets we have relied on the accounts of Standard Discount Corporation Limited as reported on by other auditors. The net assets of Standard Discount are approximately 4% of the estimated realizable value of the net assets of \$85,071,751 shown in the Statement of Deficiency in Net Assets.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$5,245,532 (approximately \$9,600,000 at May 31, 1966 - Note 5 to the financial statements). We have been unable to form an opinion as to the amount which may be realized from this investment.

A value of \$700,000 has been placed on the shares to be received in Great Northern Capital Corporation Limited (Note 6 to the financial statements). This value exceeds the indicated market value at May 31, 1966 by approximately \$170,000.

We are also of the opinion that the liabilities are fairly presented in the Statment of Deficiency in Net Assets except that:

Full provision has not been made for the fees and expenses of the Receiver and Manager (Note 8 to the financial statements).

Depending on a Court decision, there may be an addition of \$5,138,925 to the senior debt (Note 12 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after 1963 are not entitled to the security of the Senior Note indenture (Note 15 to the financial statements). The Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$110,072,028 is entitled to the security of the indenture.

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Statement of Deficit for the period from January 1 to
June 17, 1965, the date when Atlantic Acceptance Corporation
Limited went into receivership, with subsequent adjustments
during the period from June 18 to December 31, 1965 relating
to the assets and liabilities as at June 17, 1965 (Exhibit 2)
and

Statement of Loss for the period from January 1 to June 17, 1965 (Exhibit 3):

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager, we are not in a position to express an opinion on the operations of the company as set out in the Statement of Deficit (Exhibit 2) and the Statement of Loss (Exhibit 3) for the period from January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in Exhibit 2, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of certain important assets as referred to in the preceding section of this report.

Statement of Loss for the period from June 18 to December 31, 1965 (Exhibit 4):

Except that full provision has not been made for the fees and expenses of the Receiver and Manager (Note 8 to the financial statements) and that we are unable to form an opinion as to the amount which may be realized from the investment in Lucayan Beach Hotel and Development Limited (Note 5 to the financial statements), in our opinion, the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period from the net assets under the control of the Receiver and Manager.

Price Waterhouse , G.
Chartered Accountants.

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# (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## STATEMENT OF DEFICIENCY IN NET ASSETS AS AT DECEMBER 31, 1965

| Assets under the control of the Receiver and Manager:   |  |              |
|---|--|--------------|
| Cash (Note 2)   |  | \$ 1,991,733 |
| Bonds and treasury bill of the Government of Canada   |  |              |
| and deposit receipts of Canadian chartered banks,<br>maturing within one year, at cost plus accrued<br>interest thereon   |  | 14,700,221   |
| Instalment notes and accounts receivable (Note 3): Instalment contracts, less unearned interest of \$4,252,813 Interest-bearing loans, including accrued interest   | \$27,980,576<br><u>4,078,580</u><br>32,059,156 |              |
| Less- Estimated allowance for possible loss   | 10,000,000                                     | 22,059,156   |
| Miscellaneous accounts receivable and income taxes recoverable  |  | 730,882      |
| Prepaid expenses, at estimated realizable value   |  | 75,513       |
| Investments and advances: Wholly-owned subsidiary companies (Note 4)- Shares, at cost less amounts written off Advances, at estimated realizable values  32,588,998 | 32,668,998                                     |              |
| Lucayan Beach Hotel and Development Limited (Note 5)- Shares and debentures, at cost 3,615,154  | 32,000,774                                     |              |
| Advances, including accrued interest 1,630,378  | 5,245,532                                      |              |
| Shares of Great Northern Capital<br>Corporation Limited (Note 6)  | 700,000  | 38,614,530   |
| Estimated equity in assets held by Receiver and Manager arising from receivership of Commodore Sales Acceptance Limited and   |  | 7,681,873    |
| The Premier Finance Corporation Limited   |  | 7,473        |
| Fixed assets, at estimated realizable value   |  | \$85,861,381 |
| Forward   |  | 705,001,501  |

| Forward   |   | \$85,861,381               |
|---|---|----------------------------|
| Deduct- Liabilities of the Receiver and Manager:  |   |                            |
| Accounts payable and accrued liabilities Amounts due to dealers when related instalment notes and accounts receivable are collected (Note 7)  | \$ 447,985  |                            |
| Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965, before full provision for the fees and expenses of the Receiver and Manager (Note 8)  |   | 789,630<br>85,071,751      |
| Deduct- Senior debt (Notes 9 and 12)  |   | 110,072,028                |
| Deficiency in net assets to meet senior debt outstanding, before full provision for the fees and expenses of the Receiver and Manager (Note 8)  |   | 25,000,277                 |
| Other liabilities: Subordinated debt (Note 10) Junior subordinated debt (Note 11) Due in respect of notes cancelled (Note 12) Accounts payable and accrued liabilities Dividends payable Contingent liabilities (Note 13) | 17,260,821<br>4,476,074<br>5,138,925<br>78,706<br>249,430 | 27 202 056                 |
| Deficiency in net assets  |   | 27,203,956<br>\$52,204,233 |
| Represented by:   |   |                            |
| Capital stock   |   | \$14,455,087               |
| Deficit- As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2) For the period from June 18 to   | 66,379,855  |                            |
| December 31, 1965, represented by the loss for the period (Exhibit 4)   | 279,465   | (66,659,320)               |
|   |   | \$52,204,233               |

(The accompanying notes are an integral part of the financial statements.)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,

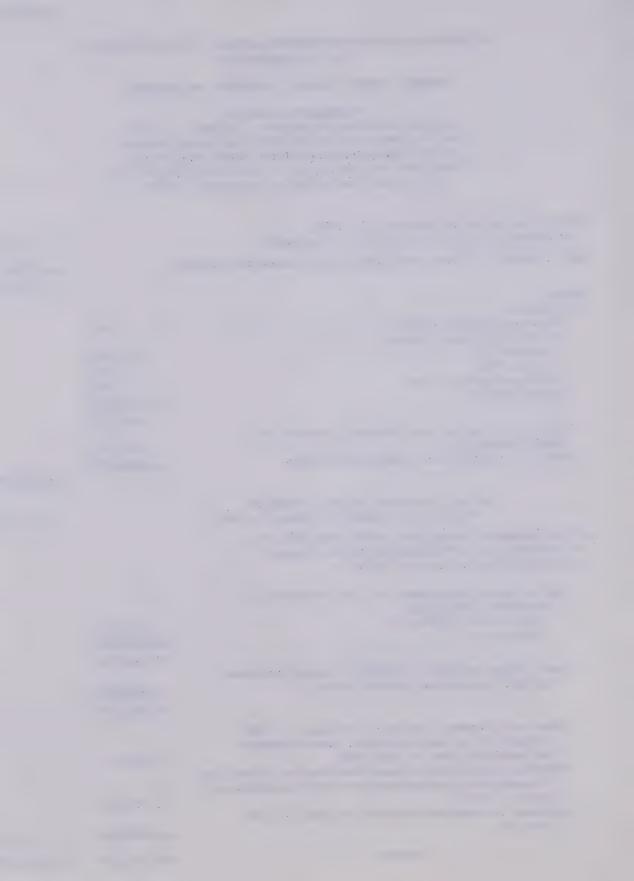
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD

FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE

ASSETS AND LIABILITIES AS AT JUNE 17, 1965

| Retained earnings at December 31, 1964, as shown by the audited financial statements  |   | \$ 454,152   |
|---|---|--------------|
| Add- Transfer of first preference share redemption reserv   | re e                                    | 46,736       |
|   |   | 500,888      |
| Deduct:   |   |              |
| Dividends-  | A 7 000                                 |              |
| First preference shares Second preference shares-   | \$ <b>7,</b> 983                        |              |
| Series "A"  | 136,800                                 |              |
| Series "B"  | 7,200                                   |              |
| Third preference shares   | 4,500                                   |              |
| Common shares   | 314,873                                 |              |
|   | 471,356                                 |              |
| Loss for the period from January 1 to June 17,  |   |              |
| 1965 (Exhibit 3)  | 1,484,550                               |              |
| Premium on senior and subordinated notes  | 2,446,457                               | 4,402,363    |
|   |   | 4,402,303    |
| Deficit, as shown by the unaudited  |   |              |
| financial statements at June 17, 1965   |   | 3,901,475    |
| Add- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965: |   |              |
| Write-down of investment in, and advances to, subsidiary companies-   |   |              |
| Shares and debentures   | 1,727,933                               |              |
| Advances  | 43,775,375                              |              |
|   | 45,503,308                              |              |
| Less- Value assigned to shares of Great Northern  | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |              |
| Capital Corporation Limited (Note 6)  | 700,000                                 |              |
|   | 44,803,308                              |              |
| Notes and accounts receivable at June 17, 1965 written off as uncollectible, less allowance                                   |   |              |
| for possible loss at that date  | 3,215,798                               |              |
| Estimated provision for possible loss on collection   |   |              |
| of remainder of notes and accounts receivable at June 17, 1965  | 0.006.600                               |              |
| Increase in unearned interest at June 17, 1965  | 9,936,000                               |              |
| (Note 14)   | 3,264,444                               |              |
| ,   |   |              |
| Forward   | \$61,219,550                            | \$ 3,901,475 |
|   |   |              |



| Forward  | \$61,219,550  | \$ 3,901,475 |
|--|---|--------------|
| Deferred charges written off- Unamortized long-term debt financing expenses Unamortized cost of developing new branches Unamortized premium on debentures of subsidiary company Prepaid expenses Leasehold improvements, less accumulated depreciation Write-down of fixed assets to estimated realizable value Adjustment of foreign exchange on notes payable in United States dollars based on exchange | 1,080,497<br>119,469<br>175,784<br>408,308<br>6,110<br>22,050 |              |
| rates at December 31, 1965<br>Adjustment (net) in liabilities recorded at  | (534,616)<br>(18,772)   |              |
| June 17, 1965  | (103/72)  | 62,478,380   |
| Deficit at June 17, 1965,<br>as adjusted to December 31, 1965  |   | \$66,379,855 |

(The accompanying notes are an integral part of the financial statements.)

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(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

| Operating income:   |   |             | A2 /02 E22   |
|---|---|-------------|--|
| Interest Interest on advances to subsidiary companies Dividends from subsidiary companies Management fees charged to subsidiary companies |   |             | \$3,492,532<br>2,417,589<br>369,568<br>58,889<br>6,338,578 |
|   |   |             |  |
| Operating expenses: Administrative, per statement attached Interest on notes- Senior debt- Bank advances                                  | \$ 105,706  | \$5,200,740 |  |
| Short-term  Medium-term  Long-term  Subordinated debt  Junior subordinated debt   | 1,126,107<br>116,382<br>1,159,988<br>391,228<br>105,156 |             |  |
|   |   | 3,004,567   |  |
| Total operating expenses  |   |             | 8,205,307  |
| Loss before income tax adjustment   |   |             | 1,866,729  |
| Income taxes recoverable  |   |             | 382,179  |
| Loss for the period, as shown by the unaudited financial statements at June 17, 1965  |   |             | \$1,484,550  |

(The accompanying notes are an integral part of the financial statements.)

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(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF ADMINISTRATIVE EXPENSES FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965, THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

| Advertising   | \$ 378      |
|---|-------------|
| Amortization of cost of developing new branches       | 30,397      |
| Amortization of debt financing expenses               | 55,211      |
| Amortization of premium on debentures of              |             |
| subsidiary company                                    | 8,026       |
| Bank charges  | 24,768      |
| Capital and place of business taxes                   | 15,000      |
| Collection expenses                                   | (3,963)     |
| Credit information                                    | 16,496      |
| Creditors' life insurance                             | 88,311      |
| Depreciation  | 5,205       |
| Directors' fees                                       | 3,000       |
| Discounts to dealers                                  | 379,037     |
| Employee benefits                                     | 7,714       |
| Financial advisory fees                               | 78,841      |
| Foreign exchange-                                     |             |
| On debts payable in United States dollars             | 1,165,297   |
| Other   | 122,196     |
| Insurance   | 12,893      |
| Legal and audit                                       | 15,905      |
| Miscellaneous   | 22,027      |
| Notary, filing and recording fees                     | 15,518      |
| Occupancy   | 13,549      |
| Office equipment rental                               | 51,248      |
| Office maintenance                                    | 10,456      |
|   | 11,831      |
| Postage Printing, stationery and office supplies      | 37,283      |
| Provision for possible loss on notes and accounts     | 0.,_0       |
| receivable  | 2,114,354   |
|   | 55,889      |
| Rent  | 640,684     |
| Salaries  | 63,895      |
| Telephone and telegraph                               | 152,464     |
| Travel and automobile expenses                        |             |
|   | 5,213,910   |
| Less- Portion of expenses relating to the development |             |
| of new branches deferred for write-off against        |             |
| future earnings                                       | 13,170      |
|   |             |
|   | \$5,200,740 |
|   |             |

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# STATEMENT OF LOSS

FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965, WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER

| Operating income: Interest (Note 14)   |  |                                 | \$3,982,530                               |
|--|--|---------------------------------|---|
| Interest on advances to Lucayan Beach Hotel and Development Limited Management fee charged to subsidiary company Interest on marketable securities   |  |                                 | 66,348<br>167,500<br>100,114<br>4,316,492 |
| Operating expenses: Administrative, per statement attached Interest on notes- Senior debt- Bank advances Short-term Medium-term Long-term Subordinated debt Junior subordinated debt Interest on notes cancelled | \$ 243,723<br>1,265,529<br>147,405<br>1,492,424<br>540,999<br>142,366<br>124,425 | \$1,596,156<br><u>3,956,871</u> | 5,553,027                                 |
| Excess of operating expenses over income before interest charged to subsidiate   | come<br>aries  |                                 | 1,236,535                                 |
| Interest in the amount of \$2,980,730 charged on advances to subsidiary companies (see Notless \$2,023,660 to provide for the net loss   | e),<br>of  |                                 | 957,070                                   |
| these companies  Loss for the period   |  |                                 | \$ 279,465                                |

Note: Subsidiary companies include Commodore Sales
Acceptance Limited and The Premier Finance Corporation
Limited, but exclude Lucayan Beach Hotel and Development
Limited.

(The accompanying notes are an integral part of the financial statements.)

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(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE
CONTROL OF THE RECEIVER AND MANAGER

| Advertising  | \$  | 191      |
|--|-----|----------|
| Bank charges, including interest                         |     | 34,556   |
| Collection expenses                                      |     | 2,660    |
| Credit information                                       |     | 6,117    |
| Creditors' life insurance                                |     | 82,330   |
| Depreciation   |     | 3,941    |
| Discounts to dealers                                     |     | 5,825    |
| Employee benefits  |     | 13,846   |
| Foreign exchange   |     | 1,812    |
| Insurance  |     | 10,442   |
|  |     | 23,638   |
| Legal and audit Management and consulting fees to G.A.C. |     |          |
| International Acceptance Corporation Limited             |     | 110,397  |
| Mi scellaneous   |     | 6,827    |
|  |     | 5,172    |
| Notary filing and recording fees                         |     | 16,299   |
| Occupancy control  |     | 53,346   |
| Office equipment rental                                  |     | 12,879   |
| Office maintenance                                       |     | 10,617   |
| Postage  |     | 26,202   |
| Printing, stationery and office supplies                 |     | 20,202   |
| Provision for possible loss on notes and                 |     | 203,467  |
| accounts receivable                                      |     | 66,424   |
| Rent   |     | 609,910  |
| Salaries   |     | 83,106   |
| Telephone and telegraph                                  |     | 143,533  |
| Travel and automobile expenses                           | _   | 143,333  |
|  | 1   | ,533,537 |
| Expenses of the Receiver and Manager                     |     | 62,619   |
|  |     |          |
|  | \$1 | ,596,156 |
|  | =   |          |

(The accompanying notes are an integral part of the financial statements.)

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(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

### 1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance Corporation Limited on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of the subsidiary companies. To further assist in orderly liquidation, on July 29, 1965 Montreal Trust Company was appointed Receiver and Manager of two of the company's subsidiaries, The Premier Finance Corporation Limited and Commodore Sales Acceptance Limited.

In order to reconcile the retained earnings shown in the accounts of Atlantic Acceptance (as a corporation) as at December 31, 1964 with the deficit shown by the Statement of Deficiency in Net Assets as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the accounts of the company at June 17, 1965. The subsequent adjustments to the accounts at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out by or under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

In the attached statements, all balances are stated in Canadian dollars, with translations into Canadian dollars at the rate of exchange as at December 31, 1965.

#### 2. Cash:

Cash includes bank deposits of \$970,862 which were seized on June 17, 1965 by the depositaries who await direction from the Court as to the disposition thereof. Certain banks have claimed a right to offset \$965,465 of these deposits against bank advances and short-term notes which form part of the senior debt of the company.

### 3. <u>Instalment notes and accounts receivable</u>:

The receivables are represented by promissory notes secured by conditional sales contracts, chattel mortgages, mortgages on real property, or other commercial paper. Instalment contracts are generally payable over periods of from three to five years while interest-bearing loans are payable over longer terms mostly up to ten years. Every effort is being made to collect the outstanding notes and accounts as they fall due and in addition arrangements have been made for the sale of any or all of the notes, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

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A provision of \$10,000,000 has been made in the Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

### 4. Investments in and advances to subsidiaries:

The investments in and advances to the wholly-owned subsidiaries have been written down to the amount expected to be realized by the Receiver and Manager from the net assets of the following companies:

Adelaide Acceptance Limited
Atlantic Acceptance (Toronto) Limited
Atlantic Finance Corporation Limited
Commodore Factors Limited
Concourse Agencies Limited
Pay As You Study Plan Limited
Standard Discount Corporation Limited

### 5. Lucayan Beach Hotel and Development Limited:

In order to protect the security (in the form of a minority interest of approximately 30% in the shares of Lucayan) for certain substantial loans made by Commodore Sales and to improve the prospects of recovery from such loans, the Receiver and Manager took steps to acquire control of Lucayan by purchasing 61.4% of the outstanding shares of that company and second mortgage debentures of the face value of U.S. \$1,200,000, for an aggregate consideration of \$3,615,154. The shares purchased plus the shares held as collateral for loans total over 90% of the outstanding shares of Lucayan.

A value of approximately \$2,000,000 has been placed on the shares held as collateral when determining the estimated equity in assets held by the Receiver and Manager arising from the receivership of Commodore Sales.

The Receiver and Manager also made advances to Lucayan totalling \$1,630,378 to December 31, 1965 to assist it in meeting its current obligations. The security for advances made to Lucayan is to be a floating charge debenture covering all of the assets of the company.

The total investment in Lucayan through shares, debentures and advances amounted to approximately 9,600,000 at May 31, 1966, the principal change in 1966 being an additional advance of 3,853,175 to enable Lucayan to retire a first mortgage on the hotel properties.

### 6. Shares of Great Northern Capital Corporation Limited:

As mentioned in Note 1, Commodore Sales was placed in receivership on July 29, 1965 when the Receiver and Manager took over all of the assets of Commodore Sales which, except for a short-term note of Atlantic Acceptance pledged as security for a bank loan to Commodore Sales, were charged as security for the senior debt of Atlantic Acceptance. Thus, following the receivership, Commodore Sales had no assets and the security taken over by the Receiver and Manager was insufficient to liquidate the liability to Atlantic Acceptance.

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Under an agreement of December 28, 1965 the Receiver and Manager of Atlantic Acceptance sold the shares of Commodore Sales to Great Northern Capital Corporation Limited for 200,000 shares without par value of that company's capital stock. The shares are receivable when a proposal made by Commodore Sales to its creditors under the Bankruptcy Act has been approved by the creditors and the Court. The creditors and the Court approved the proposal in 1966. In the agreement a value of \$700,000 (i.e. \$3.50 per share) was placed on the 200,000 shares of Great Northern and this value has been used for purposes of the accounts. The bid price of the shares of Great Northern, which are traded on the Toronto Stock Exchange, was \$3.00 per share on December 31, 1965 and \$2.65 per share on May 31, 1966.

#### 7. Amounts due to dealers:

It is anticipated that the amount due to dealers may be required to provide for losses on the related receivables.

### 8. Fees and expenses of the Receiver and Manager:

Except for expenses aggregating \$62,619 shown in the Statement of Administrative Expenses for the period from June 18 to December 31, 1965, no provision has been made in the Statement of Deficiency in Net Assets for the fees and expenses of the Receiver and Manager which are subject to Court approval.

### 9. Senior debt:

The senior debt of the company, which became due and payable upon the default referred to in Note 1, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

| Bank advances (Note 2):           |              |              |
|-----------------------------------|--------------|--------------|
| Payable in Canadian dollars       | \$ 3,250,000 |              |
| Payable in United States dollars  |              |              |
| (U.S. \$4,000,000)                | 4,300,000    | À 7 550 000  |
|                                   |              | \$ 7,550,000 |
| Short-term notes:                 |              |              |
| Payable in Canadian dollars       | 30,270,135   |              |
| Payable in United States dollars  |              |              |
| (U.S. \$15,953,000)               | _17,149,475  |              |
|                                   |              | 47,419,610   |
| Medium-term notes:                |              |              |
| Payable in Canadian dollars-      |              |              |
| 5 %                               | 100,000      |              |
| 5 3/8%                            | 140,000      |              |
| 5 7/8%                            | 700,000      |              |
| Payable in United States dollars- |              |              |
| 5 % (U.S. \$2,000,000)            | 2,150,000    |              |
| 5 1/4% (U.S. \$2,000,000)         | 2,150,000    |              |
| 5 1/4% (0.5. 52,000,000)          | 2,130,000    | F 2/0 000    |
|                                   | •            | 5,240,000    |
|                                   | 1            | 060 200 610  |
| For                               | ward         | \$60,209,610 |

| Long-term not |        |          |        |                      |            |               |
|---------------|--------|----------|--------|----------------------|------------|---------------|
| Payable in    |        |          | ars-   |                      | A 0// 000  |               |
| Series B      |        | 1/2%     |        |                      | \$ 846,000 |               |
| Series C      |        | 3/4%     |        |                      | 600,000    |               |
| Series D      |        | 3/4%     |        |                      | 400,000    |               |
| Series E      |        | 1/4%     |        |                      | 400,000    |               |
| Series F      |        | 1/4%     |        |                      | 100,000    |               |
| Series G      | 6      | 1/4%     |        |                      | 100,000    |               |
| Series H      | 6      | %        |        |                      | 700,000    |               |
| Series I      | 6      | %        |        |                      | 1,250,000  |               |
| Series O      | 6      | 1/8%     |        |                      | 1,500,000  |               |
| Payable in    | United | d States | dollar | rs-                  |            |               |
| Series A      | 6      | 1/2%     | (U.S.  | \$3,384,000)         | 3,637,800  |               |
| Series J      | 6      | %        | (U.S.  | \$2,250,000)         | 2,418,750  |               |
| Series K      | 6      | %        | (U.S.  | \$1,500,000)         | 1,612,500  |               |
| Series L      | 6      | %        | (U.S.  | \$2,500,000)         | 2,687,500  |               |
| Series M      | 6      | %        | (U.S.  | \$2,500,000)         | 2,687,500  |               |
| Series N      | 5      | 3/4%     | (U.S.  | \$7,500,000)         | 8,062,500  |               |
| Series P      | 6      | %        | (U.S.  | \$1,500,000)         | 1,612,500  |               |
| Series Q      | 6      | %        | (U.S.  | \$8,500,000)         | 9,137,500  |               |
| Series R      | 5      | 7/8%     | (U.S.  | \$5,460,000)         | 5,869,500  |               |
|               |        |          |        |                      | 43,622,050 |               |
| Redemption    | premiu | ım       |        |                      | 2,165,696  |               |
|               |        |          |        |                      |            | 45,787,746    |
|               |        |          |        |                      |            | 105,997,356   |
| Accrued inter | est or | n senior | debt   | to December 31, 1965 |            | 4,074,672     |
|               |        |          |        |                      |            | \$110,072,028 |
|               |        |          |        |                      |            |               |

### 10. Subordinated debt:

The subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

| Payable in Canadian dollars-                               |    |            |
|--|----|------------|
| 6 %  | \$ | 23,500     |
| 6 1/4%   |    | 4,500,000  |
| Payable in United States dollars-                          |    |            |
| 6 1/2% (U.S. \$2,250,000)                                  |    | 2,418,750  |
| 6 1/2% (U.S. \$ 782,000)                                   |    | 840,650    |
| 6 % (U.S. \$3,478,000)                                     |    | 3,738,850  |
| 6 1/4% (U.S. \$2,340,000)                                  |    | 2,515,500  |
| 6 1/4% (U.S. \$2,000,000)                                  | _  | 2,150,000  |
|  |    | 16,187,250 |
| Redemption premium   | _  | 400,246    |
|  |    | 16,587,496 |
| Accrued interest on subordinated debt to December 31, 1965 | _  | 673,325    |
|  | \$ | 17,260,821 |

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### 11. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

| Pavable in  | Canadian dollars-      |             |
|-------------|------------------------|-------------|
| 6 1/2%      |                        | \$1,000,000 |
| 6 3/4%      |                        | 400,000     |
| 6 3/4%      |                        | 150,000     |
| Payable in  | United States dollars- |             |
| 6 %         | (U.S. \$2,000,000)     | 2,150,000   |
| 6 1/2%      | (U.S. \$ 500,000)      | 537,500     |
|             |                        | 4,237,500   |
| Accrued int |                        |             |
| to Decemb   | 238,574                |             |
|             |                        | \$4,476,074 |
|             |                        | 54,470,074  |

### 12. Due in respect of notes cancelled:

On June 14, 1965 two short-term notes aggregating \$5,010,000, a part of the senior debt of the company, were paid by cheques and the notes were delivered to, and cancelled by, the Trustee for the noteholders. The cheques were not honoured on presentation, and an action has been commenced in the Supreme Court of Ontario against the Trustee and the company for an order declaring the validity of the short-term senior notes. Judgement has not yet been handed down by the Court.

If the Court rules that the notes are valid, the total amount owing under these notes (\$5,138,925, which includes accrued interest thereon to December 31, 1965) will become part of the senior debt of the company.

### 13. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$550,000 and it is possible that there may be additional contingent liabilities. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

### 14. Method of taking up income from instalment sales contracts:

Up to June 17, 1965 it was the practice of the company to take into income in the month of acquisition of instalment contracts receivable a substantial portion (usually 40%) of the unearned interest included in the contract and to take the balance into income over the life of the contract using the Sum of the Months Digits Method (sometimes referred to as the "Rule of 78ths"). The unearned interest included in the accounts at June 17, 1965 has been restated on the basis that all of the unearned interest originally included in a receivable is taken up on the Sum of the Months Digits Method. Also income from all new business written after June 17, 1965 has been taken up on the same basis. While this change in the method of taking up income has had a significant effect on the accounts of the company, no estimate has been made of its effect on income of past periods or of future periods.

The basis of providing for unearned interest at December 31, 1965 approximates that which will be used in computing the sale price of accounts being sold under the agreement of July 21, 1965 as referred to in Note 3.

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# 15. <u>Litigation</u>:

Two actions have been commenced in the Supreme Court of Ontario against Montreal Trust Company, in its capacity as Trustee for the holders of senior notes, for a declaration of the Court that certain outstanding senior notes were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. The plaintiff in the first action is one Donald Ross, suing on behalf of himself and all other holders of the initial series of subordinated notes, and the plaintiff in the second action is Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture. The senior notes impugned in this litigation comprise the outstanding short-term notes and medium-term notes issued after 1963 and the Series O to Series R notes. Montreal Trust Company has instructed its solicitors to take appropriate steps to the end that the actions will be defended by or on behalf of the holders of such senior notes.

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# PRICE WATERHOUSE & Co.

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TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Commodore Sales Acceptance Limited:

We have examined the Statement of Deficiency in Net Assets of Commodore Sales Acceptance Limited - In Receivership as at December 31, 1965 (Exhibit 1), the Reconciliation of Net Assets of the Company as at December 31, 1964 with the Deficiency in Net Assets as at December 31, 1965 (Exhibit 2), the Statement of Profit and Loss for the period from January 1 to June 17, 1965 (Exhibit 3), and the Statement of Income and Expenses for the period from June 18 to December 31, 1965 (Exhibit 4). Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the Statement of Deficiency in Net Assets the company's property and assets, except for a short-term note of Atlantic Acceptance Corporation Limited in the amount of \$750,000 which was pledged as security for a bank loan, were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets in the hands of the Receiver and Manager are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

A provision of \$26,948,006 has been made as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the Statement of Deficiency in Net Assets).

Subject to the comments in the preceding paragraph and except that no provision has been made for the fees and expenses of the Receiver and Manager (Note 4 to the Statement of Deficiency in Net Assets), in our opinion the Statement of Deficiency in Net Assets presents fairly the net assets of the company in the hands of the Receiver and Manager as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a

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position to express an opinion on the operations of the company as set out in the Statement of Profit and Loss for the period from January 1 to June 17, 1965 (Exhibit 3). However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in Exhibit 2, and consider them necessary to reduce the book values of the net assets as at June 17, 1965 to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes and accounts receivable as referred to earlier in this report.

Except that no provision has been made for the fees and expenses of the Receiver and Manager, in our opinion the Statement of Income and Expenses for the period from June 18 to December 31, 1965 (Exhibit 4) presents fairly the income and expenses for that period arising from the assets taken over by the Receiver and Manager.

Chartered Accountants.

Price Waterhouse , Co.

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# COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS

AS AT DECEMBER 31, 1965
(See Note 1 for basis of preparation of statement)

Assets in the hands of the Receiver and Manager:

| Cash   | \$ 9,896     |
|--|--------------|
| Notes and accounts receivable (Note 2)- Interest-bearing loans, including accrued interest \$33,340 Less- Estimated allowance for possible loss 26,948   |              |
| Income taxes recoverable   | 130,000      |
| <pre>Investment in shares of Commodore Factors Limited,   at cost less amount written off (Note 3)</pre>   | 1            |
| Fixed assets, at estimated realizable value  | 1,088        |
| Estimated realizable value of assets in the hands of the Receiver and Manager available for creditors as of June 17, 1965, before provision for the fees and expenses of the Receiver and Manager (Note 4) | 6,533,970    |
| Deduct- Advances from Atlantic Acceptance Corporation Limited (Note 1)   | _34,590,151  |
| Deficiency in net assets   | \$28,056,181 |

(The accompanying notes are an integral part of this statement.)

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# COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

# (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

RECONCILIATION OF NET ASSETS OF THE COMPANY AS AT DECEMBER 31, 1964 WITH THE DEFICIENCY IN NET ASSETS AS AT DECEMBER 31, 1965

| Net assets of the company as at December 31, 1964, as<br>shown by the audited financial statements, represented<br>by capital stock of \$33,650 and retained earnings of  |             | \$ 143,502   |
|---|-------------|--------------|
| \$109,852   |             | 9 143,302    |
| Add- Profit for the period from January 1 to June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as shown by the unaudited financial statements after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date (Exhibit 3) |             | 186,338      |
| unaudited financial statements at that date (Exhibit 3)   |             | 100,550      |
| Net assets of the company as at June 17, 1965,<br>based on book values  |             | 329,840      |
| Deduct:   |             |              |
| Loss arising when one of the company's assets, a short-term note of Atlantic Acceptance Corporation Limited having a book value of \$750,000, was seized by the bank in partial satisfaction of their loan  |             |              |
| of \$614,001 Adjustments to reduce the book values of the net assets of the company as at June 17, 1965 to their estimated realizable values:   | \$ 135,999  |              |
| Write-down of investment in Commodore Factors   | 0.000       |              |
| Limited (Note 3)  | 9,999       |              |
| Notes and accounts receivable at June 17, 1965 written off as uncollectible, less allowance   |             |              |
| for possible loss at that date  | 1,266,395   |              |
| Estimated provision for possible loss on  | _,,         |              |
| collection of remainder of notes and accounts   |             |              |
| receivable at June 17, 1965   | 26,948,006  |              |
| Prepaid expenses written off  | 7,435       |              |
| Write-down of fixed assets to estimated   | 1 106       |              |
| realizable value  | 1,186       |              |
| Adjustment in liabilities recorded at June 17, 1965   | 2,200       |              |
| Income taxes for the year ended December 31,  | , , , , , , |              |
| 1964 recoverable as a result of loss in 1965 Excess of expenses over income for the period from   | (123,982)   |              |
| June 18 to December 31, 1965 (Exhibit 4)  | 138,783     |              |
|   |             | 28,386,021   |
| 2511  |             |              |
| Deficiency in net assets  |             | \$28,056,181 |
| as at December 31, 1965   |             | Q20,030,101  |

# COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF PROFIT AND LOSS

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED WENT INTO RECEIVERSHIP

| Operating income: Interest                                |         | \$1,433,835 |
|---|---------|-------------|
| Operating expenses:                                       |         |             |
| Administrative-   | \$ 323  |             |
| Advertising   | 14,758  |             |
| Bank charges, including interest                          | 14,756  |             |
| Depreciation  | 437     |             |
| Employee benefits   | 10,278  |             |
| Financial advisory fees                                   | 1,235   |             |
| Insurance   | 3,939   |             |
| Legal and audit   | 3,737   |             |
| Management fees to Atlantic Acceptance                    | 46,389  |             |
| Corporation Limited                                       | 512     |             |
| Miscellaneous   | 1,539   |             |
| Printing, stationery and office supplies                  | 1,339   |             |
| Provision for possible loss on notes and                  | 170,000 |             |
| accounts receivable                                       | 1,560   |             |
| Rent  | 13,176  |             |
| Salaries  | 906     |             |
| Telephone and telegraph                                   | 1,525   |             |
| Travel expenses   | 1,525   | 266,775     |
|   |         |             |
| Excess of operating income over operating expenses        |         |             |
| before interest charged by Atlantic Acceptance            |         |             |
| Corporation Limited                                       |         | 1,167,060   |
| Corporation Dimited                                       |         |             |
| Interest on advances from Atlantic Acceptance Corporation |         |             |
| Limited   |         | 980,722     |
| True so   |         |             |
| Profit for the period, as shown by the                    |         |             |
| unaudited financial statements at                         |         |             |
| June 17, 1965 after taking into account                   |         |             |
| an adjustment made in preparing consolidated              |         |             |
| unaudited financial statements at that date               |         | \$ 186,338  |
|   |         |             |
|   |         |             |

(The accompanying notes are an integral part of this statement.)

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# COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF INCOME AND EXPENSES
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965
ARISING FROM THE ASSETS TAKEN OVER BY THE RECEIVER AND MANAGER

| Interest income  |        | \$ 22,984 |
|--|--------|-----------|
| Administrative expenses:   |        |           |
| Advertising  | \$ 67  |           |
| Bank charges, including interest   | 3,067  |           |
| Capital and place of business taxes  | 447    |           |
| Employee benefits  | 478    |           |
| Financial advisory fees  | 2,529  |           |
| Insurance  | 2,794  |           |
| Legal and audit  | 19,036 |           |
| Miscellaneous  | (160)  |           |
| Printing, stationery and office supplies                                   | 1,318  |           |
| Rent   | 1,560  |           |
| Salaries   | 19,396 |           |
| Telephone and telegraph  | 1,215  |           |
|  | 1,405  |           |
| Travel expenses  |        | 53,152    |
| Excess of expenses over income   |        |           |
| before interest charged by   |        |           |
| Atlantic Acceptance Corporation  |        |           |
| Limited  |        | 30,168    |
| Interest on advances from Atlantic Acceptance Corporation Limited (Note 5) |        | 108,615   |
| Excess of expenses over income   |        | 6120 702  |
| for the period   |        | \$138,783 |
|  |        |           |

(The accompanying notes are an integral part of this statement.)

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# COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1965

# 1. Basis of preparation of statement:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Commodore Sales Acceptance Limited, at that time a wholly-owned subsidiary, whose property and assets, except for a short-term note of Atlantic Acceptance in the amount of \$750,000 which was pledged as security for a bank loan, were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Sales in the hands of the Receiver and Manager as at December 31, 1965, which are stated in the accompanying Statement of Deficiency in Net Assets at their estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation Montreal Trust Company was appointed Receiver and Manager of Commodore Sales on July 29, 1965 under an order issued by the Supreme Court of Ontario.

There is attached as Exhibit 2 a Reconciliation of Net Assets of the company as at December 31, 1964, as shown by the audited financial statements, with the deficiency in net assets as at December 31, 1965. There are also attached, as Exhibits 3 and 4 respectively, a Statement of Profit and Loss showing the results of the operations of the company for the period from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965, and a Statement of Income and Expenses for the period from June 18 to December 31, 1965 arising from the assets taken over by the Receiver and Manager.

# 2. Notes and accounts receivable:

Some of the receivables are represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes and accounts as quickly as is practical in the circumstances.

A provision of \$26,948,006 has been made in the Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

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# 3. Investment in shares of Commodore Factors Limited:

The cost of the shares of Commodore Factors, which was a wholly-owned subsidiary company of Commodore Sales incorporated under the laws of the State of New York, U.S.A., has been written down to a nominal value of \$1. The property and assets of the subsidiary company are being liquidated in satisfaction of the charge thereon given as security for the senior debt of Atlantic Acceptance.

# 4. Fees and expenses of the Receiver and Manager:

No provision has been made for the fees and expenses of the Receiver and Manager which are subject to Court approval.

# 5. Interest on advances from Atlantic Acceptance Corporation Limited:

For purposes of this statement, interest has been accrued on advances from Atlantic Acceptance only to July 29, 1965, the date the company was placed in receivership.

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# PRICE WATERHOUSE & Co.

TORONTO 1

June 7, 1966.

# AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

Provision of \$1,675,000 and \$95,948 respectively has been made as an estimated allowance for possible loss on the collection of the instalment notes and accounts receivable and for possible loss on the notes and accounts sold with full recourse to Standard Discount Corporation Limited. These allowances may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the fees and expenses of the Receiver and Manager (Note 3 to the financial statements), in our opinion the Statement of Deficiency in Net Assets presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Loss and Deficit for the period from

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January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the instalment notes and accounts receivable as referred to earlier in this report.

Except that no provision has been made for the fees and expenses of the Receiver and Manager, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager.

Chartered Accountants.

Price Waterhouse , Co.

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# THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

# (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# STATEMENT OF DEFICIENCY IN NET ASSETS AS AT DECEMBER 31, 1965

| Assets under the control of the Receiver and Manager:   |                          | \$ 141,986        |
|---|--------------------------|-------------------|
| Instalment notes and accounts receivable (Note 2): Instalment contracts, less unearned interest of \$21,724 Less- Estimated allowance for possible loss   | \$1,887,034<br>1,675,000 |                   |
| Income taxes recoverable  |                          | 212,034<br>65,501 |
| Receivable from Standard Discount Corporation Limited (an associated company) arising from the sale of notes and accounts receivable with full recourse, less estimated allowance of \$95,948 for possible loss on collection of the notes and accounts Prepaid expenses, at estimated realizable value |                          | 792,865<br>4,001  |
| Fixed assets, at nominal value  |                          | 1,216,388         |
| Deduct- Liabilities of the Receiver and Manager: Accounts payable and accrued liabilities Amounts due to dealers when related instalment  | 14,828                   |                   |
| notes and accounts receivable are collected (Note 4)  | 53,656                   | 68,484            |
| Estimated realizable value of net assets under<br>the control of the Receiver and Manager<br>available for creditors as of June 17, 1965<br>before provision for the fees and expenses<br>of the Receiver and Manager (Note 3)  |                          | 1,147,904         |
| Deduct- Advances from Atlantic Acceptance Corporation<br>Limited (Note 1)   |                          | 3,042,764         |
| Deficiency in net assets  |                          | \$1,894,860       |
| Represented by: Capital stock Deficit-  |                          | \$ 185,618        |
| As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2)   | \$1,908,021              |                   |
| For the period from June 18 to December 31, 1965, represented by the loss for the period (Exhibit 4)  | 172,457                  | (2,080,478)       |
|   |                          | \$1,894,860       |
|   |                          |                   |

(The accompanying notes are an integral part of the financial statements.)

# THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## STATEMENT OF DEFICIT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, WITH SUBSEQUENT ADJUSTMENTS
DURING THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965
RELATING TO THE ASSETS AND LIABILITIES AT JUNE 17, 1965

| Retained earnings at December 31, 1964, as shown    |             |             |
|---|-------------|-------------|
| by the audited financial statements                 |             | \$ 257,842  |
| Deduct- Dividend paid                               |             | 254,253     |
| 20000 21720010 para                                 |             |             |
|   |             | 3,589       |
| Deduct:   |             |             |
| Loss for the period from January 1 to June 17, 1965 | A1 (07 (01  |             |
| (Exhibit 3)   | \$1,627,481 |             |
| Goodwill written off                                | 65,000      |             |
| Write-down of office equipment                      | 12,871      | 1 705 252   |
|   |             | 1,705,352   |
| Deficit, as shown by the unaudited financial        |             |             |
| statements at June 17, 1965                         |             | 1,701,763   |
|   |             |             |
| Add- Adjustments during the period from June 18 to  |             |             |
| December 31, 1965 relating to the assets and        |             |             |
| liabilities at June 17, 1965:                       |             |             |
| Notes and accounts receivable at June 17, 1965      |             |             |
| written off as uncollectible (including             |             |             |
| unexplained differences of \$106,530 in the         |             |             |
| notes and accounts receivable records)              | 209,437     |             |
| Estimated provision for possible loss on            |             |             |
| collection of remainder of notes and                | 4 (== -00   |             |
| accounts receivable at June 17, 1965                | 1,675,000   |             |
|   | 1,884,437   |             |
| Less- Allowance for possible loss shown in the      | 1 (0( 0/2   |             |
| unaudited financial statements at June 17, 1965     | 1,696,042   |             |
|   | 188,395     |             |
| Write-down of fixed assets to nominal value         | 7,613       |             |
| Adjustment in liabilities recorded at June 17, 1965 | 10,250      | 206 250     |
|   |             | 206,258     |
| Deficit at June 17, 1965, as adjusted               |             |             |
| to December 31, 1965                                |             | \$1,908,021 |
| to becember 31, 1903                                |             | 71,700,021  |
|   |             |             |

(The accompanying notes are an integral part of the financial statements.)

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# THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# STATEMENT OF LOSS FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965, THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED WENT INTO RECEIVERSHIP

| Operating income:   |           |             |
|---|-----------|-------------|
| Interest  |           | \$ 190,540  |
|   |           |             |
| Operating expenses:                                       |           |             |
| Administrative-   |           |             |
| Bank charges  | \$ 645    |             |
| Capital and place of business taxes                       | 2,359     |             |
| Collection expenses                                       | 10,058    |             |
| Credit information  | 283       |             |
| Creditors' life insurance                                 | (227)     |             |
| Depreciation  | 2,169     |             |
| Discounts to dealers                                      | (23)      |             |
| Employee benefits   | 2,927     |             |
| Insurance   | 1,516     |             |
| Legal and audit   | 4,578     |             |
| Miscellaneous   | 2,324     |             |
| Notary, filing and recording fees                         | 19        |             |
| Occupancy   | 1,399     |             |
| Office equipment rentals                                  | 108       |             |
| Postage   | 1,176     |             |
| Printing and stationery                                   | 832       |             |
| Provision for possible loss on notes                      |           |             |
| and accounts receivable                                   | 1,597,521 |             |
| Rent  | 19,091    |             |
| Salaries  | 67,898    |             |
| Telephone and telegraph                                   | 6,801     |             |
| Travel and automobile expenses                            | 1,289     |             |
|   |           | 1,722,743   |
| Excess of operating expenses over operating               |           |             |
| income before interest charges                            |           | 1,532,203   |
| Income belote interest endiges                            |           | 2,55-,-05   |
| Interest on advances from Atlantic Acceptance Corporation |           |             |
| Limited   |           | 95,278      |
|   |           |             |
| Loss for the period, as shown by the unaudited            |           |             |
| financial statements at June 17, 1965                     |           | \$1,627,481 |
|   |           |             |
|   |           |             |

(The accompanying notes are an integral part of the financial statements.)

# THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# STATEMENT OF LOSS FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965, WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER

| Operating income:  |        |           |
|--|--------|-----------|
| Interest   |        | \$ 14,154 |
| Interest on receivable from Standard Discount                              |        |           |
| Corporation Limited  |        | 30,000    |
| •  |        |           |
|  |        | 44,154    |
| Operating expenses:  |        |           |
| Administrative-  |        |           |
| Advertising  | \$ 56  |           |
| Bank charges   | 90     |           |
| Capital and place of business taxes  | 374    |           |
| Collection expenses  | 4,429  |           |
| Credit information   | 127    |           |
| Creditors' life insurance  | 445    |           |
| Discounts to dealers, including \$95,948 on                                |        |           |
| sale of notes and accounts receivable to                                   |        |           |
| Standard Discount Corporation Limited                                      | 96,457 |           |
| Employee benefits  | 272    |           |
| Insurance  | 469    |           |
| Legal and audit  | 1,000  |           |
| Management and consulting fees to G.A.C.                                   | 1,000  |           |
|  | 6,486  |           |
| International Acceptance Corporation Limited                               | 905    |           |
| Miscellaneous  | 903    |           |
| Occupancy  | •      |           |
| Office equipment rentals   | 5      |           |
| Office maintenance   | 279    |           |
| Postage  | 713    |           |
| Printing and stationery  | 1,336  |           |
| Rent   | 6,315  |           |
| Salaries   | 10,984 |           |
| Telephone and telegraph  | 2,567  |           |
| Travel and automobile expenses   | 3,474  |           |
|  |        | 137,704   |
| Evenes of energing evenence even an eventing                               |        |           |
| Excess of operating expenses over operating income before interest charges |        | 93,550    |
| Theome before Threfest charges   |        | 93,330    |
| Interest on advances from Atlantic Assentance Communication                |        |           |
| Interest on advances from Atlantic Acceptance Corporation Limited          |        | 78 007    |
| PIMITEG  |        | 78,907    |
| I age for the norice   |        | \$172,457 |
| Loss for the period  |        | 9172,437  |

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## THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1965

# 1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance, which are stated in the Statement of Deficiency in Net Assets at estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 29, 1965 under an order issued by the Supreme Court of Ontario.

In order to reconcile the retained earnings shown in the accounts of Premier Finance as at December 31, 1964 with the deficit shown by the Statement of Deficiency in Net Assets as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

# 2. Instalment notes and accounts receivable:

The receivables are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper. During 1965 the company sold approximately \$2,075,000 of its receivables to Atlantic Acceptance Corporation Limited and Standard Discount Corporation Limited. Every effort is being made to collect the remainder of the outstanding receivables as they fall due and in addition, arrangements have been made for the sale of any or all of the notes, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves

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Provision of \$1,675,000 and \$95,948 respectively has been made in the Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable and for possible loss on the notes and accounts sold with full recourse to Standard Discount Corporation. These allowances may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

# 3. Fees and expenses of the Receiver and Manager:

No provision has been made in the Statement of Deficiency in Net Assets for the fees and expenses of the Receiver and Manager which are subject to Court approval.

# 4. Amounts due to dealers:

It is anticipated that the amount due to dealers may be required to provide for losses on the related receivables.

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# PRICE WATERHOUSE & Co.

55 YONGE STREET

June 7, 1966.

# AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

A provision of \$3,399,879 has been made as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from

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January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes receivable as referred to earlier in this report.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of the parent company.

Price Waterlone " Co.

Chartered Accountants.

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Fig. 2 to the second of the second of the control of the factors of the second of the

# ADELAIDE ACCEPTANCE LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

#### BALANCE SHEET - DECEMBER 31, 1965

#### ASSETS

| Cash  |                                 | \$        | 7,124    |
|---|---------------------------------|-----------|----------|
| Notes receivable (Note 2)- Interest-bearing loans, including accrued interest Less- Estimated allowance for possible loss   | \$4,350,239<br>3,399,879        |           | 950,360  |
| Income taxes recoverable  |                                 |           | 13,500   |
|   |                                 | \$        | 970,984  |
| LIABILITIES   |                                 |           |          |
| Accrued liabilities (Note 3)  |                                 | \$        | 64       |
| Advances from Atlantic Acceptance Corporation<br>Limited (Note 1)   |                                 | 4         | ,146,608 |
| Capital stock and deficit: Capital stock- Authorized- 20,500 7% cumulative redeemable preference shares with a par value of \$10 each 25,000 common shares of no par value Issued and fully paid- 17,000 preference shares 10,103 common shares | \$ 170,000<br>10,103<br>180,103 |           |          |
| Deficit- As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2) \$3,242,835  For the period from June 18 to December 31, 1965, represented by the loss for the period (Exhibit 4) 112,892  |                                 |           |          |
| the loss for the period (Exhibit 4)   | 3,355,727                       | <u>(3</u> | ,175,624 |
| APPROVED ON BEHALF OF THE BOARD:  |                                 | \$        | 970,984  |
| Direct  | or                              |           |          |
| Direct  | .01                             |           |          |
| Direct  | or                              |           |          |

### ADELAIDE ACCEPTANCE LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,

THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,

WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD

FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE

ASSETS AND LIABILITIES AT JUNE 17, 1965

| Add- Profit for the period from January 1 to June 17, 1965 (Exhibit 3)  | 368  |
|---|------|
| Retained earnings, as shown by the unaudited financial statements at June 17, 1965 after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date | 425  |
| Deduct- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:  |      |
| Estimated provision for possible loss on collection of notes receivable at June 17, 1965 \$3,399,879  Less- Allowance for possible loss recorded at that date, including recoveries (net) on accounts |      |
| written off as uncollectible 94,691   |      |
| 3,305,188 Adjustment in liabilities recorded at June 17, 1965   |      |
| Adjustment in liabilities recorded at June 17, 1965 380  Income taxes for the year ended December 31, 1964  |      |
| recoverable as a result of the loss in 1965 (12,308)  | 260  |
| Deficit as at June 17, 1965, as adjusted to   | 0.05 |
| December 31, 1965 \$3,242,  | ===  |

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## ADELAIDE ACCEPTANCE LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

| Operating income: Interest  |                   | \$143,937 |
|---|-------------------|-----------|
| Operating expenses: Administrative- Capital and place of business taxes Foreign exchange  | \$ (136)<br>2,875 |           |
| Legal and audit<br>Miscellaneous  | 3,021<br>76       |           |
| Provision for possible loss on notes and accounts receivable  | 6,374             | 12,210    |
| Excess of operating income over operating expenses before interest charges  |                   | 131,727   |
| Interest on advances from the parent company  |                   | _119,859  |
| Profit for the period, as shown by the unaudited financial statements at June 17, 1965 after taking into account an adjustment made in preparing consolidated unaudited |                   |           |
| financial statements at that date   |                   | \$ 11,868 |

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## ADELAIDE ACCEPTANCE LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS

FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS WERE UNDER THE CONTROL OF
THE RECEIVER AND MANAGER OF THE PARENT COMPANY

| Operating income: Interest   |                   | \$ 28,278 |
|--|-------------------|-----------|
| Operating expenses:  |                   |           |
| Administrative- Capital and place of business taxes Foreign exchange       | \$ 245<br>(2,875) |           |
| Miscellaneous  | <u>464</u>        | (2,166)   |
| Excess of operating income over operating expenses before interest charges |                   | 30,444    |
|  |                   | 110.006   |
| Interest on advances from parent company                                   |                   | 143,336   |
| Loss for the period  |                   | \$112,892 |

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### ADELAIDE ACCEPTANCE LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1965

#### 1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In order to reconcile the retained earnings shown in the accounts of Adelaide Acceptance as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

In the attached statements, all balances are stated in Canadian dollars, with translations into Canadian dollars at the rate of exchange as at December 31, 1965.

#### 2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

A provision of \$3,399,879 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

### 3. <u>Fees and expenses of the Receiver and Manager</u> of Atlantic Acceptance Corporation <u>Limited</u>:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Adelaide Acceptance.

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#### PRICE WATERHOUSE & Co.

55 YONGE STREET TORONTO 1

June 7, 1966.

#### AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Profit and Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

A provision of \$135,000 has been made as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of the parent company, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the mortgages receivable to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated allowance for possible loss on collection of the mortgages as referred to earlier in this report.

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Price Waterhouse , a. Chartered Accountants.

### ATLANTIC ACCEPTANCE (TORONTO) LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

#### BALANCE SHEET - DECEMBER 31, 1965

#### ASSETS

| Cash  | \$ 1,194  |
|---|---|
| Mortgages receivable, including accrued interest (Note 2)  Less- Estimated allowance for possible loss  | \$243,780<br>135,000<br>108,780                       |
| Miscellaneous accounts receivable   | \$110,599   |
| LIABILITIES   |   |
| Accounts payable and accrued liabilities (Note 3)   | \$ 466  |
| Advances from Atlantic Acceptance Corporation Limited   | 251,706<br>252,172                                    |
| Capital stock and deficit: Capital stock- Authorized- 40,000 shares without par value Issued and fully paid- 3 shares   | \$ 3  |
| Deficit- As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2) \$142.  For the period from June 18 to December 31, 1965, represented by the profit for the period (Exhibit 4) | ,521<br>(945)<br>———————————————————————————————————— |
|   | \$110,599   |
| APPROVED ON BEHALF OF THE BOARD:  |   |
| Directo   | or  |
| Directo   | or  |

### ATLANTIC ACCEPTANCE (TORONTO) LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AT JUNE 17, 1965

| Deficit at December 31, 1964, as shown by the audited financial statements  |        | \$ 3,286  |
|---|--------|-----------|
| Deduct- Profit for the period from January 1 to June 17, 1965 (Exhibit 3)   |        | 3,091     |
| Deficit, as shown by the unaudited financial statements at June 17, 1965  |        | 195       |
| Add- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965: |        |           |
| Estimated provision for possible loss on collection   | 10,826 | 140, 226  |
| D 51 1  |        | 142,326   |
| Deficit at June 17, 1965, as<br>adjusted to December 31, 1965   |        | \$142,521 |

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## ATLANTIC ACCEPTANCE (TORONTO) LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

| Operating income: Interest                        |             | \$12,122 |
|---|-------------|----------|
|   |             |          |
| Operating expenses:                               |             |          |
| Administrative-                                   | 6150        |          |
| Audit fees  | \$150<br>89 |          |
| Capital and place of business taxes Miscellaneous | 35          |          |
| IIISCCITATICOUS                                   |             | 274      |
|   |             |          |
| Excess of operating income over operating         |             |          |
| expenses before interest charges                  |             | 11,848   |
|   |             |          |
| Interest on advances from parent company          |             | 8,757    |
|   |             |          |
| Profit for the period, as shown by the            |             |          |
| unaudited financial statements at                 |             | \$ 3,091 |
| June 17, 1965                                     |             | 3,091    |
|   |             |          |

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### ATLANTIC ACCEPTANCE (TORONTO) LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS

FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF THE PARENT COMPANY

| Operating income: Interest                                |        | \$14,460 |
|---|--------|----------|
| Operating expenses:                                       |        |          |
| Administrative-   |        |          |
| Audit fees  | \$ 300 |          |
| Capital and place of business taxes                       | 16     |          |
| Management fees to G.A.C. International                   |        |          |
| Acceptance Corporation Limited                            | 25     |          |
| Miscellaneous   | 2      |          |
| Provision for possible loss on collection                 |        |          |
| of interest income for the period                         | 3,500  |          |
|   |        | 3,843    |
| Excess of operating income over operating expenses before |        |          |
| interest charges  |        | 10,617   |
| Interest on advances from parent company                  |        | 9,672    |
| Destit for the resid                                      |        | \$ 945   |
| Profit for the period                                     |        | \$ 945   |

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### ATLANTIC ACCEPTANCE (TORONTO) LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1965

#### 1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Atlantic Acceptance (Toronto) Limited, a whollyowned subsidiary. The assets of Atlantic Acceptance (Toronto) are stated in the Balance Sheet at estimated realizable values.

In order to reconcile the deficit shown in the accounts of Atlantic Acceptance (Toronto) as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Profit and Loss shown on Exhibit 4.

#### 2. Mortgages receivable:

No mortgages have been acquired since June 17, 1965 and except for one mortgage, the balance of which falls due on December 31, 1966, the present mortgages are repayable in monthly instalments over periods up to 1972. Every effort is being made to collect the outstanding mortgages as they fall due and in addition arrangements have been made for the sale of any or all of the mortgages under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

A provision of \$135,000 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

#### Fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Atlantic Acceptance (Toronto).

### PRICE WATERHOUSE & Co.

55 YONGE STREET
TORONTO 1

June 7, 1966.

# AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Finance Corporation Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

A provision of \$3,800,000 has been made as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an

opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes receivable as referred to earlier in this report.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of the parent company.

Price Waterhouse , Cr.
Chartered Accountants.

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# ATLANTIC FINANCE CORPORATION LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1965

#### ASSETS

| Cash   |                     | \$ 832,745               |
|--|---------------------|--------------------------|
| Notes receivable (Note 2)- Loans under the Small Loans Act, including accrued interest                       | \$18,334,247        |                          |
| Other loans, less unearned interest  | Ŷ 10 , 33 i , = i . |                          |
| of \$3,295,893   | 12,990,830          |                          |
| Less- Estimated allowance for possible loss  | 3,800,000           | 27,525,077               |
| Miscellaneous accounts receivable and income taxes recoverable   |                     | 354,738                  |
| Prepaid expenses, at estimated realizable value  |                     | 8,248                    |
| Furniture and fixtures, at estimated realizable value  |                     | 18,128                   |
|  |                     | \$28,738,936             |
| LIABILITIES  |                     |                          |
| Accounts payable and accrued liabilities (Note 3)  |                     | \$ 724,337               |
| Amounts due to dealers when related notes receivable are collected   |                     | 44,208                   |
| Advances from Atlantic Acceptance Corporation Limited (Note  | 1)                  | 32,491,631<br>33,260,176 |
| Capital stock and deficit:   |                     |                          |
| Capital stock-<br>Authorized- 2,500 shares with a par value<br>of \$100 each                                 |                     |                          |
| Issued and fully paid- 1,000 shares Deficit-   | \$ 100,000          |                          |
| As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2) \$4,588,387 For the period from June 18 to |                     |                          |
| December 31, 1965, represented by the loss for the period (Exhibit 4) 32,853                                 |                     |                          |
| the loss for the period (hamfore 4)  | 4,621,240           | (4,521,240)              |
|  |                     | \$28,738,936             |
| APPROVED ON BEHALF OF THE BOARD:   |                     |                          |
| Director   |                     |                          |
| Director   |                     |                          |
| (The accompanying notes are an integral part of the f  | inancial state      | ements.)                 |

## ATLANTIC FINANCE CORPORATION LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,

THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,

WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD

FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE

ASSETS AND LIABILITIES AS AT JUNE 17, 1965

| Retained earnings at December 31, 1964 as shown by the audited financial statements   | \$   | 228,746  |
|---|------|----------|
| Add- Net profit for the period from January 1 to June 17, 1965 (Exhibit 3)  | _    | 247,282  |
| Retained earnings, as shown by the unaudited financial statements at June 17, 1965  |      | 476,028  |
| Deduct- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:  |      |          |
| Notes and accounts receivable at June 17, 1965  written off as uncollectible \$ 340,4  Estimated provision for possible loss on collection of remainder of notes and accounts receivable at | ₊09  |          |
| June 17, 1965 3,621,9   |      |          |
| Less- Allowance for possible loss shown in the unaudited financial statements at June 17, 1965 492,4  |      |          |
| Increase in unearned interest at  June 17, 1965 (Note 4)  Deferred charges written off-   | 210  |          |
| Unamortized cost of developing new branches 374,9 Prepaid expenses 144,4  |      |          |
| Leasehold improvements, less accumulated depreciation 15,5 Write down of fixed assets to estimated  | 519  |          |
| realizable value  Adjustments in liabilities recorded at June 17,   | 955  |          |
| 1965 77, Provision for income taxes recorded in the period  | 131  |          |
| from January 1 to June 17, 1965 not now required and income taxes for the year ended December 31, 1964 recoverable, both as a result of the loss  |      |          |
| in 1965 Amount received in excess of estimated amount of  | 964) |          |
| miscellaneous account receivable recorded at  June 17, 1965 (44,)   |      | ,064,415 |
| Deficit as at June 17, 1965 as  |      |          |
| adjusted to December 31, 1965   | \$4  | ,588,387 |

## ATLANTIC FINANCE CORPORATION LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

| Operating income: Interest   |    |                                     | \$2,934,565 |
|--|----|-------------------------------------|-------------|
| Operating expenses: Administrative- Advertising  | \$ | 54,359                              |             |
| Amortization of cost of developing new branches Bank charges Collection                    |    | 67,217<br>24,629<br>7,044           |             |
| Credit information Creditors' life insurance Depreciation Discounts granted dealers        |    | 19,074<br>10,020<br>7,215<br>39,957 |             |
| Employee benefits Insurance  |    | 17,297<br>6,780                     |             |
| Legal and audit<br>Miscellaneous<br>Notary, filing and recording fees                      |    | 9,080<br>13,385<br>27,806           |             |
| Occupancy Office equipment rentals Office maintenance                                      |    | 16,547<br>72,816<br>30,330          |             |
| Postage Printing, stationery and office supplies Provision for possible loss on notes and  |    | 14,803<br>80,880                    |             |
| accounts receivable Rent Salaries  |    | 269,340<br>105,562<br>635,187       |             |
| Telephone and telegraph Travel and automobile expenses                                     | 1  | 93,701<br>123,977<br>,747,006       |             |
| Less- Portion of expenses relating to the development of new branches deferred for         | I, |                                     |             |
| write-off against future earnings  Excess of operating income over                         |    | 128,671                             | 1,618,335   |
| operating expenses before interest<br>charges  |    |                                     | 1,316,230   |
| Interest on advances from parent company   |    |                                     | 871,093     |
| Profit before provision for income taxes   |    |                                     | 445,137     |
| Provision for income taxes   |    |                                     | 197,855     |
| Net profit for the period, as shown by the unaudited financial statements at June 17, 1965 |    |                                     | \$ 247,282  |
|  |    |                                     |             |

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#### ATLANTIC FINANCE CORPORATION LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

#### STATEMENT OF LOSS

FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965, WHILE THE OPERATIONS WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

| Administrative-  | Operating income:<br>Interest (Note 4)    |           | \$3,028,565 |
|--|---|-----------|-------------|
| Administrative- Advertising \$ 26,178 Bank charges 22,853 Capital and place of business taxes 9,557 Collection expense 12,004 Credit information 13,217 Creditors' life insurance 13,771 Depreciation 9,228 Discounts granted dealers 54,008 Employee benefits 16,409 Insurance 8,736 Legal and audit 7,720 Management and consulting fees to G.A.C. International Finance Corporation Limited 71,030 Miscellaneous 13,272 Notary, filing and recording fees 21,947 Occupancy 32,888 Office equipment rentals 91,971 Office maintenance 37,124 Postage 23,195 Printing, stationery and office supplies 45,484 Provision for possible loss on loans made during the period 178,100 Rent 146,810 Salaries 810,691 Telephone and telegraph 120,092 Travel and automobile expenses before interest charges 1,108,443 Interest on advances from parent company 1,141,296  | Operating expenses:                       |           |             |
| Bank charges   |   |           |             |
| Bank charges       22,853         Capital and place of business taxes       9,557         Collection expense       12,004         Credit information       13,217         Creditors' life insurance       13,771         Depreciation       9,228         Discounts granted dealers       54,008         Employee benefits       16,409         Insurance       8,736         Legal and audit       7,720         Management and consulting fees to G.A.C.       7,720         International Finance Corporation Limited       71,030         Miscellaneous       13,272         Notary, filing and recording fees       21,947         Occupancy       32,888         Office equipment rentals       91,971         Office maintenance       37,124         Postage       23,195         Printing, stationery and office supplies       45,484         Provision for possible loss on loans       178,100         made during the period       178,100         Rent       146,810         Salaries       810,691         Telephone and telegraph       120,092         Travel and automobile expenses       133,837         Excess of operating income over operating expenses befo   | Advertising                               | \$ 26,178 |             |
| Capital and place of business taxes       9,557         Collection expense       12,004         Credit information       13,217         Creditors' life insurance       13,771         Depreciation       9,228         Discounts granted dealers       54,008         Employee benefits       16,409         Insurance       8,736         Legal and audit       7,720         Management and consulting fees to G,A,C.       7,720         International Finance Corporation Limited       71,030         Miscellaneous       13,272         Notary, filing and recording fees       21,947         Occupancy       32,888         Office equipment rentals       91,971         Office maintenance       37,124         Postage       23,195         Printing, stationery and office supplies       45,484         Provision for possible loss on loans       178,100         Rent       146,810         Salaries       810,691         Telephone and telegraph       120,092         Travel and automobile expenses       133,837         Excess of operating income over operating expenses before interest charges       1,108,443         Interest on advances from parent company       1,141,296  | Bank charges                              | 22,853    |             |
| Collection expense Credit information Creditors' life insurance Depreciation Discounts granted dealers Employee benefits Insurance Employee benefits Insurance Rayaa Legal and audit Total Management and consulting fees to G.A.C. International Finance Corporation Limited Miscellaneous Miscellaneous Office equipment rentals Office equipment rentals Office equipment rentals Office amintenance Printing, stationery and office supplies Printing, stationery and office supplies Manade during the period Rent Salaries Telephone and telegraph Telephone from parent company  Interest on advances from parent company  Interest on advances from parent company   |   |           |             |
| Credit information       13,217         Creditors' life insurance       13,771         Depreciation       9,228         Discounts granted dealers       54,008         Employee benefits       16,409         Insurance       8,736         Legal and audit       7,720         Management and consulting fees to G.A.C.       7,720         International Finance Corporation Limited       71,030         Miscellaneous       13,272         Notary, filing and recording fees       21,947         Occupancy       32,888         Office equipment rentals       91,971         Office maintenance       37,124         Postage       23,195         Printing, stationery and office supplies       45,484         Provision for possible loss on loans       178,100         Rent       146,810         Salaries       810,691         Telephone and telegraph       120,092         Travel and automobile expenses       133,837         Excess of operating income over operating expenses before interest charges       1,108,443         Interest on advances from parent company       1,141,296  |   | 12,004    |             |
| Depreciation Discounts granted dealers Employee benefits Insurance Insurance Legal and audit Anangement and consulting fees to G.A.C. International Finance Corporation Limited Miscellaneous Miscellaneous Notary, filing and recording fees Office equipment rentals Office equipment rentals Office maintenance Printing, stationery and office supplies Printing, stationery and office supplies Printing, stationery and office supplies At 5,484 Provision for possible loss on loans made during the period Rent Salaries Salaries Telephone and telegraph Telephone and telegraph Telephone and telegraph Telephone and delegraph Telephone and delegraph Travel and automobile expenses  Excess of operating income over operating expenses before interest charges  I,108,443 Interest on advances from parent company  1,141,296  |   | 13,217    |             |
| Discounts granted dealers  Employee benefits  Insurance  Legal and audit  Management and consulting fees to G.A.C.  International Finance Corporation Limited  Miscellaneous  Miscellaneous  Notary, filing and recording fees  Office equipment rentals  Office equipment rentals  Office maintenance  Postage  Printing, stationery and office supplies  Provision for possible loss on loans  made during the period  Rent  Salaries  Telephone and telegraph  Telephone and telegraph  Telephone and telegraph  Telephone and automobile expenses  Excess of operating income over  operating expenses before interest charges  1,108,443  Interest on advances from parent company  54,008  16,409  11,030  71,03 | Creditors' life insurance                 | 13,771    |             |
| Employee benefits 16,409 Insurance 8,736 Legal and audit 7,720  Management and consulting fees to G.A.C. International Finance Corporation Limited 71,030 Miscellaneous 13,272 Notary, filing and recording fees 21,947 Occupancy 32,888 Office equipment rentals 91,971 Office maintenance 37,124 Postage 23,195 Printing, stationery and office supplies 45,484 Provision for possible loss on loans made during the period 146,810 Salaries 810,691 Telephone and telegraph 120,092 Travel and automobile expenses 133,837  Excess of operating income over operating expenses before interest charges 1,108,443 Interest on advances from parent company 1,141,296   |   | 9,228     |             |
| Insurance Legal and audit Ananagement and consulting fees to G.A.C. International Finance Corporation Limited Miscellaneous Miscellaneous Notary, filing and recording fees Office equipment rentals Office maintenance Printing, stationery and office supplies Printing, stationery and office supplies Apovision for possible loss on loans made during the period Rent Salaries Salaries Telephone and telegraph Telephone and telegraph Telephone and telegraph Telephone and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  8,736 7,720  71,030 71,030 71,030 71,030 71,030 71,030 71,047 71,030 71,047 71,030 71,047 71,030 71,047 71,030 71,047 71,047 71,030 71,047 71,04 71,047  | Discounts granted dealers                 | 54,008    |             |
| Insurance Legal and audit Ananagement and consulting fees to G.A.C. International Finance Corporation Limited Miscellaneous Notary, filing and recording fees Office equipment rentals Office maintenance Postage Printing, stationery and office supplies Printing, stationery and office supplies Made during the period Rent Salaries Telephone and telegraph Travel and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  8,736 7,720 A,720  A,720 |   | 16,409    |             |
| Management and consulting fees to G.A.C.  International Finance Corporation Limited 71,030 Miscellaneous 13,272 Notary, filing and recording fees 21,947 Occupancy 32,888 Office equipment rentals 91,971 Office maintenance 37,124 Postage 23,195 Printing, stationery and office supplies 45,484 Provision for possible loss on loans made during the period 178,100 Rent 146,810 Salaries 810,691 Telephone and telegraph 120,092 Travel and automobile expenses 133,837  Excess of operating income over operating expenses before interest charges 1,108,443 Interest on advances from parent company 1,141,296   | ·   | 8,736     |             |
| International Finance Corporation Limited  Miscellaneous  Notary, filing and recording fees  Occupancy  Occupancy  Office equipment rentals  Office maintenance  Printing, stationery and office supplies  Provision for possible loss on loans  made during the period  Rent  Salaries  Telephone and telegraph  Telephone and telegraph  Telephone and automobile expenses  Excess of operating income over  operating expenses before interest  charges  Interest on advances from parent company  13,272  21,947  22,888  91,971  45,484  45,484  46,810  810,691  120,092  133,837  | Legal and audit                           | 7,720     |             |
| Miscellaneous Notary, filing and recording fees Occupancy Occupancy Office equipment rentals Office maintenance Postage Printing, stationery and office supplies Printing, stationery and office supplies Provision for possible loss on loans made during the period Rent Salaries Salaries Telephone and telegraph Telephone and telegraph Telephone and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  13,272 21,947 22,947 32,888 91,971 91,971 91,971 92,124 93,125 94,484 | Management and consulting fees to G.A.C.  |           |             |
| Notary, filing and recording fees  Occupancy  Office equipment rentals  Office maintenance  Postage  Printing, stationery and office supplies  Provision for possible loss on loans  made during the period  Rent  Salaries  Telephone and telegraph  Telephone and telegraph  Travel and automobile expenses  Excess of operating income over  operating expenses before interest  charges  Interest on advances from parent company  21,947  32,888  91,971  45,484  Provision for possible loss on loans  178,100  178,1 | International Finance Corporation Limited | 71,030    |             |
| Occupancy Office equipment rentals Office maintenance Office Office maintenance Office maintenance Office office Office maintenance Office office Office maintenance Office off | Miscellaneous                             | 13,272    |             |
| Office equipment rentals Office maintenance Office of Of | Notary, filing and recording fees         | 21,947    |             |
| Office maintenance 37,124 Postage 23,195 Printing, stationery and office supplies 45,484 Provision for possible loss on loans made during the period 178,100 Rent 146,810 Salaries 810,691 Telephone and telegraph 120,092 Travel and automobile expenses 133,837  Excess of operating income over operating expenses before interest charges 1,108,443 Interest on advances from parent company 1,141,296   |   | 32,888    |             |
| Postage 23,195 Printing, stationery and office supplies 45,484 Provision for possible loss on loans made during the period 178,100 Rent 146,810 Salaries 810,691 Telephone and telegraph 120,092 Travel and automobile expenses 133,837  Excess of operating income over operating expenses before interest charges 1,108,443 Interest on advances from parent company 1,141,296   | Office equipment rentals                  | 91,971    |             |
| Printing, stationery and office supplies Provision for possible loss on loans made during the period Rent Salaries Telephone and telegraph Telephone and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  45,484  178,100 146,810 810,691 120,092 133,837  1,920,122  1,1920,122   | Office maintenance                        | 37,124    |             |
| Provision for possible loss on loans made during the period Rent Salaries Telephone and telegraph Travel and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  178,100 146,810 810,691 120,092 133,837  1,920,122  1,1920,122   | Postage                                   | 23,195    |             |
| Provision for possible loss on loans made during the period Rent Salaries Telephone and telegraph Travel and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  178,100 146,810 810,691 120,092 133,837  1,920,122  1,1920,122   | Printing, stationery and office supplies  | 45,484    |             |
| Rent 146,810 Salaries 810,691 Telephone and telegraph 120,092 Travel and automobile expenses 133,837  Excess of operating income over operating expenses before interest charges 1,108,443  Interest on advances from parent company 1,141,296   | Provision for possible loss on loans      |           |             |
| Salaries Telephone and telegraph Travel and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  810,691 120,092 133,837  1,920,122  1,108,443   | made during the period                    | 178,100   |             |
| Telephone and telegraph Travel and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  120,092 133,837  1,920,122  1,108,443  1,108,443   | Rent                                      | 146,810   |             |
| Travel and automobile expenses  Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  133,837  1,920,122  1,108,443  Interest on advances from parent company  1,141,296   | Salaries                                  | 810,691   |             |
| Excess of operating income over operating expenses before interest charges  Interest on advances from parent company  1,920,122  1,108,443   | Telephone and telegraph                   | 120,092   |             |
| Excess of operating income over operating expenses before interest charges 1,108,443  Interest on advances from parent company 1,141,296   | Travel and automobile expenses            | 133,837   |             |
| Excess of operating income over operating expenses before interest charges 1,108,443  Interest on advances from parent company 1,141,296   |   |           | 1 020 122   |
| operating expenses before interest charges 1,108,443  Interest on advances from parent company 1,141,296   | Evenes of operating income even           |           | 1,920,122   |
| charges 1,108,443  Interest on advances from parent company 1,141,296  |   |           |             |
| Interest on advances from parent company   |   |           | 1.108.443   |
|  |   |           | 1,100,443   |
| Loss for the period \$ 32,853  | Interest on advances from parent company  |           | 1,141,296   |
|  | Loss for the period                       |           | \$ 32,853   |

### ATLANTIC FINANCE CORPORATION LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1965

#### 1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Atlantic Finance Corporation Limited, a whollyowned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Atlantic Finance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In order to reconcile the retained earnings shown in the accounts of Atlantic Finance as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

#### 2. Notes receivable:

The receivables are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper. The loans are generally payable over periods of up to three years. Every effort is being made to collect the outstanding notes as they fall due and in addition arrangements have been made for the sale of any or all of the notes, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

A provision of \$3,800,000 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

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#### Fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited;

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Atlantic Finance.

4. Method of taking up income from loans other than those made under the Small Loans Act:

Up to June 17, 1965 it was the practice of the company to take into income in the month of acquisition of receivables 40% of the unearned interest included in the contract and to take the balance into income over the life of the contract using the Sum of the Months Digits Method (sometimes referred to as the "Rule of 78ths"). The unearned interest included in the accounts at June 17, 1965 has been restated on the basis that all of the unearned interest originally included in a receivable is taken up on the Sum of the Months Digits Method. Also income from all new business written after June 17, 1965 has been taken up on the same basis. While this change in the method of taking up income has had a significant effect on the accounts of the company, no estimate has been made of its effect on income of past periods or of future periods.

The basis of providing for unearned interest at December 31, 1965 approximates that which will be used in computing the sale price of accounts being sold under the agreement of July 21, 1965 as referred to in Note 2.

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#### PRICE WATERHOUSE & Co.

55 YONGE STREET TORONTO 1

June 7, 1966.

#### AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager,
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Commodore Sales Acceptance Limited for the benefit of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of the available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets are charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence the assets are stated in the Balance Sheet at estimated realizable values.

A provision of \$4,739,104 has been made as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from

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January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes receivable as referred to earlier in this report.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited.

Price Waterhouse . C.

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#### COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1965 (stated in United States dollars)

#### ASSETS

| ASSETS  |                          |                        |
|---|--------------------------|------------------------|
| Cash  |                          | \$ 4,101               |
| Notes receivable (Note 2): Interest bearing loans, including accrued interest Less- Estimated allowance for possible loss                       | \$5,716,430<br>4,739,104 | 977,326                |
| Office furniture, at nominal value  |                          | 1                      |
|   |                          | \$ 981,428             |
| LIABILITIES   |                          |                        |
| Accounts payable and accrued liabilities (Note 3)   |                          | \$ 36,180              |
| Advances from Atlantic Acceptance Corporation<br>Limited (Canadian \$7,923,818) (Note 1)  |                          | 7,370,983<br>7,407,163 |
| Capital stock and deficit: Capital stock- Authorized- 200 shares without par value Issued- 100 shares Deficit-                                  | \$ 10,000                |                        |
| As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2) \$6,164,101  For the period from June 18 to December 31, 1965, represented by |                          |                        |
| the loss for the period (Exhibit 4) 271,634   | 6,435,735                | (6,425,735)            |
|   |                          | \$ 981,428             |
| APPROVED ON BEHALF OF THE BOARD:  |                          |                        |
| Directo   | or                       |                        |
| Direct  | or                       |                        |

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#### COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965
RELATING TO THE ASSETS AND LIABILITIES AS AT JUNE 17, 1965
(stated in United States dollars)

| Add- Profit for the period from January 1 to June 17, 1965 (Exhibit 3)  Retained earnings, as shown by the unaudited financial statements at June 17, 1965  389,497 |
|---|
|   |
|   |
| Deduct- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:                                    |
| Notes receivable at June 17, 1965 written off as uncollectible, less allowance for possible   |
| loss at that date \$2,007,766   |
| Estimated provision for possible loss on  |
| collection of remainder of notes receivable   |
| at June 17, 1965 4,739,104  |
| Write down of fixed assets to nominal value 832   |
| Adjustment in liabilities recorded at   |
| June 17, 1965 25,000  |
| Adjustment of income taxes, primarily applicable  |
| to unrealized gains on foreign exchange, as a   |
| result of loss in 1965 (219,104)  |
| <u>6,553,598</u>  |
| Definit at 1 17 1065  |
| Deficit at June 17, 1965, as  |
| adjusted to December 31, 1965 \$6,164,101   |
|   |

#### COMMODORE FACTORS LIMITED

STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED WENT INTO RECEIVERSHIP
(stated in United States dollars)

| Operating income:                             |        |           |
|---|--------|-----------|
| Interest                                      |        | \$370,057 |
| Gain in foreign exchange                      |        | 23,599    |
|   |        | 393,656   |
|   |        |           |
| Operating expenses:                           |        |           |
| Administrative-                               |        |           |
| Advertising                                   | \$ 26  |           |
| Bank charges                                  | 845    |           |
| Business taxes                                | 12,393 |           |
| Depreciation                                  | 36     |           |
| Legal and audit                               | 1,500  |           |
| Miscellaneous                                 | 17     |           |
| Printing, stationery and office supplies      | 23     |           |
| Telephone and telegraph                       | 199    |           |
| Travel expenses                               | 1,367  |           |
|   |        | 16,406    |
|   |        |           |
| Excess of operating income over operating     |        |           |
| expenses before interest charges              |        | 377,250   |
|   |        |           |
|   |        |           |
| Interest on advances from Atlantic Acceptance |        | 060 417   |
| Corporation Limited                           |        | 269,415   |
| Profit for the period, as shown by the        |        |           |
| unaudited financial statements as at          |        |           |
| June 17, 1965                                 |        | \$107,835 |
|   |        |           |

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#### COMMODORE FACTORS LIMITED

# STATEMENT OF LOSS FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965, WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED (stated in United States dollars)

| Operating income: Interest Gain in foreign exchange  | \$ 23,475<br>11,318<br>34,793 |
|--|-------------------------------|
| Operating expenses:  Administrative- Advertising \$ 32 Bank charges, including interest 9,704 Business taxes 39 Legal and audit 1,111 Miscellaneous (190 |                               |
| Excess of operating income over operating expenses before interest charges  Interest on advances from Atlantic Acceptance                                | 24,097                        |
| Corporation Limited  Loss for the period   | \$271,634                     |

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#### COMMODORE FACTORS LIMITED

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1965

#### 1. Basis of preparation of statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Commodore Factors Limited, whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In order to reconcile the retained earnings shown in the accounts of Commodore Factors as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

#### 2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

A provision of \$4,739,104 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

#### Fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited;

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Commodore Factors.

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#### PRICE WATERHOUSE & Co.

55 YONGE STREET
TORONTO 1

June 7, 1966.

#### AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Concourse Agencies Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet and Statements of Loss and Deficit present fairly the financial position of the company as at December 31, 1965 and its income and expenses for the year ended on that date, in accordance with generally accepted accounting principles.

Chartered Accountants.

Price Waterhouse . Ca.

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# CONCOURSE AGENCIES LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1965

#### ASSETS

|  |           |      | \$Ni1             |
|--|-----------|------|-------------------|
| LIABILITIES  |           |      |                   |
| Accrued liabilities (Note 2)   |           |      | \$ 50             |
| Advances from Atlantic Acceptance<br>Corporation Limited (Note 1)  |           |      | <u>799</u><br>849 |
| Capital stock and deficit: Capital stock- Authorized- 100,000 shares without par value Issued and fully paid- 3 shares   |           | \$ 3 |                   |
| Deficit- As at June 17, 1965 (no change to December 31, 1965) (Exhibit 2) For the period from June 18 to December 31, 1965, represented by the loss for the period (Exhibit 4) | \$774<br> |      |                   |
|  |           | 852  | (849)             |
|  |           |      | \$Ni1             |
| APPROVED ON BEHALF OF THE BOARD:   |           |      |                   |
| Direc  | etor      |      |                   |
| Direc  | ctor      |      |                   |

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### CONCOURSE AGENCIES LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

### STATEMENT OF DEFICIT FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

# CONCOURSE AGENCIES LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

## STATEMENT OF LOSS FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

| Operating expenses: Administrative- Capital and place of business taxes Miscellaneous   | \$20<br>_10 |
|---|-------------|
| Total operating expenses before interest charges  | 30          |
| Interest on advances from parent company  | _20         |
| Loss for the period, as shown by the unaudited financial statements at June 17, 1965 after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date | \$50        |
|   |             |

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### CONCOURSE AGENCIES LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

# STATEMENT OF LOSS FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965, WHILE THE OPERATIONS WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

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CONCOURSE AGENCIES LIMITED

(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1965

#### 1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Concourse Agencies Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company.

In order to reconcile the deficit shown in the accounts of Concourse Agencies as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965.

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

### 2. Fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Concourse Agencies.

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#### PRICE WATERHOUSE & Co.

55 YONGE STREET

TORONTO 1

June 7, 1966.

#### AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Pay As You Study Plan Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, in which is incorporated a Statement of Expenses for the period from June 18 to December 31, 1965, and the Statements of Loss and Deficit for the period from January 1 to June 17, 1965. Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 2 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make during the period from January 1 to June 17, 1965, at which time the operations came under the control of the Receiver and Manager of the parent company, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Loss and Deficit for the period from January 1 to June 17, 1965.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Expenses for the period from June 18 to December 31, 1965 which is incorporated in the Balance. Sheet presents fairly the expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of the parent company.

Chartered Accountants.

Price Waterhouse , Cr.

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# PAY AS YOU STUDY PLAN LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

#### BALANCE SHEET - DECEMBER 31, 1965

#### ASSETS

| 1100110  |          |        |          |
|--|----------|--------|----------|
| Cash   |          |        | \$ 1,301 |
| LIABILITIES  |          |        |          |
| Accrued liabilities (Note 2)   |          |        | \$ -     |
| Advances from Atlantic Acceptance<br>Corporation Limited (Note 1)  |          |        | 30,840   |
| Capital stock and deficit: Capital stock- Authorized- 1,800 6% non-cumulative redeemable preference shares with a par value of \$100 each 20,000 common shares without par value         |          |        |          |
| Issued and fully paid-<br>3 common shares  |          | \$ 3   |          |
| Deficit- As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2) For the period from June 18 to December 31, 1965, represented by interest on advances from the parent company | \$28,482 | 00.540 |          |
|  |          | 29,542 | \$ 1,301 |
| APPROVED ON BEHALF OF THE BO   | OARD:    |        |          |
|  | Director |        |          |
|  | Director |        |          |

# PAY AS YOU STUDY PLAN LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

#### STATEMENT OF DEFICIT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AT JUNE 17, 1965

Deficit at December 31, 1964, as shown

| by the audited financial statements   | \$17,738 |
|---|----------|
| Add- Loss for the period from January 1 to June 17, 1965 (Exhibit 3)  | 10,494   |
| Deficit, as shown by the unaudited financial statements at June 17, 1965 after taking into account adjustments made in preparing consolidated unaudited financial statements at that date | 28,232   |
| Add- Adjustment during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:  |          |
| Accounts receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date  | 250      |
| Deficit as at June 17, 1965, as adjusted to December 31, 1965   | \$28,482 |

(The accompanying notes are an integral part of the financial statements.)

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# PAY AS YOU STUDY PLAN LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

| Operating income: Interest  | : | \$ 78    |
|---|---|----------|
| Operating expenses:   |   |          |
| Administrative-   |   |          |
| Audit fees \$ 200   |   |          |
| Miscellaneous 199   |   |          |
| Provision for possible loss on accounts receivable 9,289  |   |          |
|   |   | 9,688    |
| Excess of operating expenses over operating income before interest charges  |   | 9,610    |
| Charges   |   |          |
| Interest on advances from parent company  |   | 884      |
| Loss for the period, as shown by the unaudited financial statements at June 17, 1965 after taking into account adjustments made in preparing consolidated unaudited financial statements at that date |   | \$10,494 |

(The accompanying notes are an integral part of the financial statements.)

# PAY AS YOU STUDY PLAN LIMITED (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership)

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1965

#### 1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Pay As You Study Plan Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company.

In order to reconcile the deficit shown in the accounts of Pay As You Study Plan as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibit 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustment to the accounts as at June 17, 1965 to write off as uncollectible the remainder of the accounts receivable at that date is shown in the Statement of Deficit (Exhibit 2).

Except for the fees and expenses referred to in Note 2, interest on advances from the parent company (which has been charged directly to deficit account in the Balance Sheet) was the only expense incurred during the period from June 18 to December 31, 1965 while the operations were carried out under the direction of the Receiver and Manager.

## 2. Fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Pay As You Study Plan.

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## STONE, CONWAY, ANGER & STONE

CHARTERED ACCOUNTANTS
TORONTO, CANADA

TELEPHONE 481-5201 AREA CODE 416

NATIONAL CASH REGISTER BUILDING 117 EGLINTON AVE. E.

To the Shareholders of Standard Discount Corporation Limited, Toronto, Ontario.

#### Gentlemen:

We report having completed the examination of the accounting records of your company for the fiscal year ended December 31, 1965, from which we have prepared and submit herewith the following:

- Statement (1) Balance Sheet as at December 31, 1965;
- Statement (2) Statement of Retained Earnings for year ended December 31, 1905;
- Statement (3) Statement of Income and Expenditure for year ended December 31, 1965.

#### SCOPE OF EXAMINATION

Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

#### CURRENT POSITION

For purposes of analysis, we submit the following comparative summary of your company's current position as at December 31 in each year.

|   | 1965  | 1964   | 1963  |
|---|---|--|---|
| Current assets<br>Current liabilities (portion) | \$4,279,516   | \$3,061,419<br>486,448   | \$2,747,527<br>430,171  |
|   | 3,871,315   | 2,574,971  | 2,317,356   |
| Holdbacks and loans, payable on demand          | 3,318,659   | 2,008,583  | 1,789,726   |
| Net Current Assets                              | \$ 552,656  | \$ 566,388   | <b>\$ 527,63</b> 0  |
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#### SOURCE AND APPLICATION OF FUNDS

The decrease in net current assets of \$13,732 for the year under review results from the following:

## Source of working capital:

| Net profit before income taxes Add: Depreciation allowance   | \$98,941<br>15,850 | \$114,791                            |                            |
|--|--------------------|--------------------------------------|----------------------------|
| Sale of fixed assets Increase in deferred income   |                    | 525<br>54,307                        | <b>\$</b> 169 <b>,62</b> 3 |
| Disposition of working capital:  |                    |                                      |                            |
| Corporation income taxes Additions to fixed assets Increase in c.s.v. of life insurance Dividends paid |                    | 41,402<br>25,258<br>1,380<br>115,315 | 183,355                    |
| NET DECREASE IN WORKING  | CAPITAL            |                                      | \$ 13,732                  |

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## STATEMENT OF INCOME AND EXPENDITURE

For comparative purposes, we submit the following analysis of operations for the years ended December 31:

|   | 1965                |                | 1964               |             | 1963              |              |  |
|---|---------------------|----------------|--------------------|-------------|-------------------|--------------|--|
|   |                     | <u></u> %      |                    | 9/0         |                   | 4            |  |
| CONTRACTS PURCHASED                             |                     |                |                    |             |                   |              |  |
|   | \$8,412,483         | 89.3           | \$6,239,385        | 97.2        | \$5,804,758       | 97.0         |  |
| Special bulk<br>purchase<br>Hard goods          | 959,484<br>42,896   | 10.2           | 179,612            | 2.8         | 181,067           | 3.0          |  |
| TOTAL   | 9,414,863           | 100.0          | 6,418,997          | 100.0       | 5,985,825         | 100.0        |  |
| FINANCE CHARGES                                 | 1,268,970           | 13.5           | 871,735            | 13.6        | 806,834           | 13.5         |  |
|   |                     |                |                    |             |                   |              |  |
|   |                     |                |                    |             |                   |              |  |
| INCOME  |                     |                |                    |             |                   |              |  |
| Finance charges earned<br>Bad debts recovered   | 1,229,991<br>52,160 | 95.9<br>4.1    | 883,287<br>54,333  | 94.2<br>5.8 | 789,604<br>72,007 | 91.6         |  |
| TOTAL INCOME                                    | 1,282,151           | 100.0          | 937,620            | 100.0       | 861,611           | 100.0        |  |
|   |                     |                |                    |             |                   |              |  |
| EX PEND FTURE                                   |                     |                |                    |             |                   |              |  |
| Additional charges to written off accounts      | 10,171              | <sub>=</sub> 8 | 14,345             | 1.5         | 16,684            | 1.9          |  |
| Bad and doubtful<br>accounts<br>Office salaries | 332,759<br>252,231  | 26.0<br>19.7   | 152,818<br>190,184 | 16.3        | 111,372           | 12.9<br>21.4 |  |
| Interest on loans<br>Overhead expenses          | 188,491<br>138,272  | 14.7           | 130,806            | 14.0        | 106,257           | 12.4         |  |
| Income taxes payable Management salaries        | 41,402<br>65,436    | 3.2<br>5.1     | 43,482<br>58,036   | 4.6<br>6.2  | 47,662<br>60,594  | 5.5<br>7.1   |  |
| Management fees                                 | 180,000             | 14.0           | 180,000            | 19.2        | 180,000           | 20.9         |  |
| Depreciation allowance                          | 15,850              | 1.2            | 14,579             | 1.6         | 5,075             | 6            |  |
| TOTAL EXPENDITURE                               | 1,224,612           | 95.5           | 898,768            | 95.9        | 805,420           | 93.5         |  |
| NET PROFIT                                      | \$ 57,539           | 4.5            | \$ 38,852          | 4.1         | \$ 56,191         | 6.5          |  |

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To the Shareholders of Standard Discount Corporation Limited

\* \* \*

In our opinion, the accompanying balance sheet and attached related statements of income and expenditure and retained earnings present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the period ended on that date in accordance with generally accepted accounting principles, except for the method of taking up income from instalment accounts receivable as explained in Note (3) to the financial statements, applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying summary of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended December 31, 1965.

Stone Conway Engew & Stone

Toronto, March 4, 1966 (as amended on June 20, 1966 by inclusion of reference to Note (3) to the financial statements.) Chartered Accountants.

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### STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

(A private company incorporated under The Corporations Act of Ontario)

### BALANCE SHEET

## DECEMBER 31, 1965

|  | (With | comparative | figures | for | 1964 | .) |
|--|-------|-------------|---------|-----|------|----|
|--|-------|-------------|---------|-----|------|----|

|  | (                     | With comparative   | e figures for 1964)                             |  |  |
|--|-----------------------|--|---|--|--|
| ASSETS   | 2065                  | 20()   | LIABILITIES                                     | 3065   | 1061   |
| G  | 1965                  | 1964   |   | 1965   | 1964   |
| Current  |                       | 4  | Current   | ± 000 000  | A 1.00 001.  |
| Petty cash fund  | \$ 275                | \$ 125   | Bank overdraft (net)                            | \$ 326,298   | \$ 437,834   |
| Accounts receivable (after deducting allowance   |                       |  | Employees' income tax deductions                | 3,547  | 9,000  |
| for doubtful accounts and holdbacks  | 1 0/2 002             | 0.010.600  | Accounts payable and accrued liabilities        | 14,822   | 16,432   |
| applicable to recourse accounts-see note 1) Unexpired insurance  | 4,261,821             | 3,042,623  | Accrued salaries and bonuses                    | 30,665   | 12,617   |
| Prepaid expenses and supplies on hand  | 3,493                 | 2,564  | Corporation income tax payable                  | · 32,869   | 10,565   |
| rrepand expenses and supplies on hand  | 13,927                | 16,107   |   | 408,201  | 486,448  |
|  | 4,279,516             | 3,061,419  | Holdbacks:                                      | The second secon | Parks and the second of the se |
| Fixed (at cost)  |                       | Wilder Strate Control  | Holdback on bulk purchase from Premier          |  |  |
| Automotive equipment   | 6,840                 | 6,840  | Finance Corporation Limited                     | 95,948   | 44   |
| Leasehold improvements   | 9,949                 | 9,949  | Deduct: Portion applicable to accounts          |  |  |
| Office furniture and equipment   | 109,895               | 87,286   | receivable (see contra and note 1)              | 95,948   | 275  |
| The same of the officers   | control of the second |  | Palance   | 45.  | 12   |
| 7 4 2 4 2 3 4 4 4  | 126,684               | 104,075  | Dealer holdbacks                                | 25,656   | 27,261   |
| Less: Accumulated depreciation   | 60,619                | 35,976   | Deduct: Portion applicable to accounts          |  |  |
| Undepreciated capital cost of fixed assets   | 66,065                | 68,099   | receivable (see contra and note 1)              | 18,884   | 15,492   |
|  |                       | We display the second of the s | Balance   | 6,772  | 11,769   |
| Other  |                       |  | Yoan payable on demand (7%) Premier Finance     |  |  |
| Goodwill   | 100,000               | 100,000  | Corporation Limited                             | 792,865  | _  |
| Cash surrender value of life insurance   | 9,284                 | 7,904  | Loan payable on demand (7%) Atlantic Acceptance | 172 ,00)   | *  |
|  | 109,284               | 107,904  | Corporation Limited                             | 2.519,022  | 1,996,814  |
|  |                       | The same of the sa |   | 3,311,887  | 1,996,814  |
|  |                       |  |   | 2,211,001  | 1,990,014  |
|  |                       |  | Deferred Income                                 |  |  |
|  |                       |  | Unearned discounts and service charges          | 179,229  | 124,922  |
|  |                       |  | SHAREHOLDERS' EQU                               | TTY  |  |
|  |                       |  | Capital Stock                                   |  |  |
|  |                       |  | Authorized: 30,000 Preference shares, par valu  | e  |  |
| Approved on behalf of the Board:   |                       |  | \$3 each, 3% non-cumulative                     |  |  |
| Approved on behalf of the Board:   |                       |  | davidend, non-voting,                           |  |  |
| the little as  |                       |  | redeemable at par;                              |  |  |
| To Man Vones of the state of th |                       |  | 10,000 Common shares, no par value              | ,  |  |
| Director   |                       |  | the total consideration for                     |  |  |
|  |                       |  | the issue of which is not t                     | 0  |  |
|  |                       |  | exceed the sum of \$10,000.                     |  |  |
|  |                       |  | Issued and fully paid:                          |  |  |
| Director   |                       |  | 4,000 Preference shares                         | 12,000   | 12,000   |
|  |                       |  | 3,000 Common shares                             | 3,000  | 3,000  |
|  |                       |  |   | 15,000   | 15,000   |
|  |                       |  | Retained Earnings - see statement (2)           | 533,776  | 602,469  |
|  | \$4,454,865           | \$3,237,422  |   | \$4,454,865  | \$3,237,422  |
|  |                       |  | Contingent Liability                            | 44,474,007   | 254,162,64   |

Contingent Liability

Guarantor on notes payable of Atlantic Acceptance Corporation Limited, secured by a first floating charge on the undertaking, property and assets.

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## STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

### STATEMENT OF RETAINED EARNINGS

## FOR YEAR ENDED DECEMBER 31, 1965

(With comparative figures for 1964)

|   | 1965                        | 1964      |
|---|-----------------------------|-----------|
| BALANCE, January 1                                | \$602,469                   | \$563,617 |
| Add: Net profit for years<br>ended December 31    | 57,539                      | 38,852    |
|   | 660,008                     | 602,469   |
| Less: Dividends paid Additional depreciation-1963 | \$115,315<br>10,917 126,232 |           |
| BALANCE, December 31                              | \$533,776                   | \$602,469 |
|   |                             |           |

The accompanying explanatory notes are an integral part of these financial statements.

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## STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

## STATEMENT OF INCOME AND EXPENDITURE

## FOR YEAR ENDED DECEMBER 31, 1965

(With comparative figures for 1964)

|  | 1965  | 1964  |
|--|---|---|
| INCOME   |   |   |
| Discounts earned - regular - special bulk purchase (see note 1)  Service charges earned Extension charges earned Interest earned Bad debts recovered Deduct: Additional charges to written off accounts  | \$1,001,796<br>95,948 \$1,097,744<br>10,482<br>114,911<br>6,854<br>52,160<br>10,171 41,989 \$1,271,980  | \$756,823<br>- \$756,823<br>18,685<br>99,365<br>8,414<br>54,333<br>14,345 39,988 \$923,275  |
| EXPENDITURE  |   |   |
| Advertising and sales promotion Allowance for depreciation Attorneys' fees Audit fees Automotive and travelling expenses Bank interest and charges Collection expenses Credit bureau expenses Employee benefits Employee pension plan (net) General expenses Insurance Interest on loans payable Management and advisory fees Management salaries Occupancy expenses Postage Printing, stationery and office expenses Provision for losses on doubtful accounts Rent (see note 2) Salaries Telephone and telegraph | 725 15,850 3,415 6,300 1,795 4,491 3,137 1,299 6,658 517 2,681 3,367 188,491 180,000 65,436 6,693 18,932 27,684 332,759 33,823 252,231 16,755 1,173,039 | 1,708 14,579 3,111 6,300 1,249 3,926 2,399 1,091 4,708 2,688 1,970 2,093 130,806 180,000 58,036 4,140 16,756 15,624 152,818 33,823 190,184 12,932 840,941 |
| NET PROFIT (before income taxes)   | 98,941  | 90, 201   |
| Corporation taxes on income  |   | 82,334  |
| OOT PATE ATOR OUT THOUSE   | 41,402  | 43,482  |
| NET PROFIT   | \$ 57,539<br>————————————————————————————————————   | \$ 38,852   |

The accompanying explanatory notes are an integral part of these financial statements.

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#### STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

### EXPLANATORY NOTES TO FINANCIAL STATEMENTS

## AS AT DECEMBER 31, 1965

|     |   | 1         | 965         | 1         | 964         |  |
|-----|---|-----------|-------------|-----------|-------------|--|
| (1) | Accounts receivable - regular                               |           | \$4,311,737 |           | \$3,169,139 |  |
|     | Deduct:   |           |             |           |             |  |
|     | Allowance for doubtful accounts                             | \$193,084 |             | \$111,024 |             |  |
|     | Dealers' holdbacks on recourse<br>accounts applied to above | 18,884    | 211,968     | 15,492    | 126,516     |  |
|     | Balance   |           | 4,099,769   |           | 3,042,623   |  |
|     | Accounts receivable - special bulk purchase (approximate)   | 258,000   |             | -         |             |  |
|     | Deduct:   |           |             |           |             |  |
|     | Holdback account  | 95,948    |             |           |             |  |
|     | Balance (subject to full recourse)                          |           | 162,052     |           |             |  |
|     | Accounts receivable - net                                   |           | \$4,261,821 |           | \$3,042,623 |  |

During the year 1965, the company purchased from Premier Finance Corporation Limited outstanding receivables amounting to \$959,484 on a full recourse basis. This bulk purchase was made at a discount charge of 10% amounting to \$95,948 and an additional sum of \$95,948 was held back as a reserve for uncollectible accounts.

- (2) Under long-term leases in effect to October 31, 1973 at 43 Eglinton Avenue East, the company is obligated to pay annual rentals aggregating \$33,823 for the 9th floor space and annual rentals aggregating \$12,351 for the 10th floor space. As of December 31, 1965 all rentals paid for the 10th floor space have been charged to Premier Finance Corporation Limited.
- (3) In most cases, instalment accounts receivable contracts are repayable over a six month period. The discount and service charge from a contract are taken into income in the month following purchase of the contract and accordingly unearned discounts and service charges at December 31, 1965 represents 100% of the December discounts and charges.

If 20% of the income from a contract was taken into income on purchase and the balance over the life of the contract by the "sum-of-the-months digits" method, additional deferred income of approximately \$67,000 would be required at December 31, 1965 of which approximately \$30,000 would be in respect of the year ended on that date.

# ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINING FINANCIAL STATEMENTS
DECEMBER 31, 1965

## PREFACE

The attached exhibits show in columnar form the accounts included in the combined financial statements of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1965 and set out the adjustments and eliminations in preparing those statements.

The exhibits are for illustration purposes only; reference should be made to the accounts of the individual companies and the notes pertaining thereto in considering their financial position and results of operations.

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## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## COMBINING STATEMENT OF DEFICIENCY IN NET ASSETS AS AT DECEMBER 31, 1965

(See Note 1 for basis of preparing combining financial statements)

|   | <u>Compar</u><br>Atlantic            | nies in receive            | rship<br>The Premier              |                                   | Atlantic                           | Atlantic                          | Commodore<br>Factors             | Concourse<br>Agencies<br>Limited<br>and | Standard                           | Eliminations                     |                                   |
|---|--------------------------------------|----------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|----------------------------------|---|------------------------------------|----------------------------------|-----------------------------------|
|   | Acceptance<br>Corporation<br>Limited | Sales Acceptance Limited   | Finance<br>Corporation<br>Limited | Adelaide<br>Acceptance<br>Limited | Acceptance<br>(Toronto)<br>Limited | Finance<br>Corporation<br>Limited | Limited<br>(Canadian<br>dollars) | Pay As You<br>Study Plan<br>Limited     | Discount<br>Corporation<br>Limited | (See Note 2) Add or (deduct)     | Combined                          |
| Assets under the control of the Receiver and Manager:  Cash   | \$ 1,991,733                         | 9,896                      | 141,986                           | 7,124                             | 1,194                              | 832,745                           | 4,409                            | 1,301                                   | (326,023)                          |                                  | 2,664,365                         |
| Bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks, maturing within one year                                      | 14,700,221                           |                            |                                   |                                   |                                    |                                   |                                  |   |                                    |                                  | 14,700,221                        |
| Instalment notes and accounts receivable- Instalment contracts, less unearned interest  | 27,980,576                           |                            | 1,887,034                         |                                   |                                    | 12,990,830                        |                                  |   | 4,324,008                          |                                  | 47,182,448                        |
| <pre>Interest-bearing loans, including    accrued interest Estimated allowance for possible loss</pre>  | 4,078,580<br>(10,000,000)            | 33,340,991<br>(26,948,006) | (1,675,000)                       | 4,350,239<br>(3,399,879)          | 243,780<br>(135,000)               | 18,334,247<br>(3,800,000)         | 6,146,237<br>(5,094,537)         |   | (558,704)                          |                                  | 66,494,074<br>(51,611,126)        |
| Miscellaneous accounts receivable and income taxes recoverable  | 730,882                              | 130,000                    | 65,501                            | 13,500                            | 625                                | 354,738                           |                                  |   | 30,475                             |                                  | 1,325,721                         |
| Prepaid expenses  | 75,513                               |                            | 4,001                             |                                   |                                    | 8,248                             |                                  |   | 26,704                             |                                  | 114,466                           |
| Investments and advances: Wholly-owned subsidiary companies- Shares Advances Lucayan Beach Hotel and Development  | 80,000<br>32,588,998                 | 1                          |                                   |                                   |                                    |                                   |                                  |   | 1                                  | (80,001) (a)<br>(32,588,998) (a) |                                   |
| Limited- Shares and debentures Advances, including accrued interest Shares of Great Northern Capital Corporation Limited  | 3,615,154<br>1,630,378<br>700,000    |                            |                                   |                                   |                                    |                                   |                                  |   |                                    |                                  | 3,615,154<br>1,630,378<br>700,000 |
| Estimated equity in assets held by Receiver and Manager arising from receivership of Commodore Sales Acceptance Limited and The Premier Finance Corporation Limited | 7,681,873                            |                            |                                   |                                   |                                    |                                   |                                  |   |                                    | (7,681,873)(a)                   |                                   |
| Fixed Assets  | 7,473                                | 1,088                      | 1                                 |                                   |                                    | 18,128                            | 1                                |   | 66,065                             |                                  | 92,756                            |
| Receivable from Standard Discount<br>Corporation Limited  |                                      |                            | 792,865                           |                                   |                                    |                                   |                                  |   | (792,865)                          |                                  |                                   |
| Forward   | 85,861,381                           | 6,533,970                  | 1,216,388                         | 970,984                           | 110,599                            | 28,738,936                        | 1,056,110                        | 1,301                                   | 2,769,660                          | (40,350,872)                     | 86,908,457                        |



Concourse

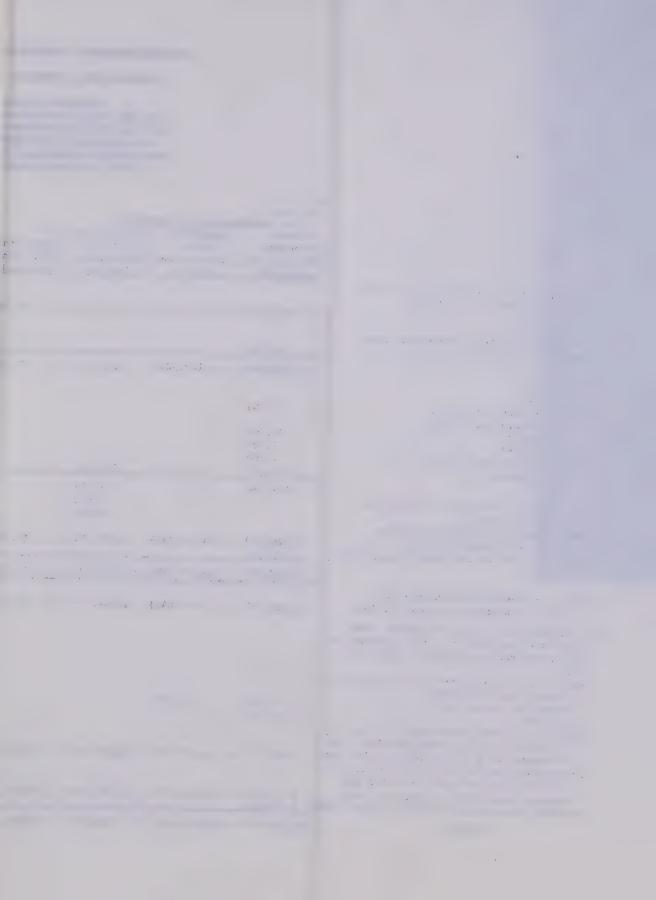
|  | Compan Atlantic Acceptance Corporation Limited            | ies in receive Commodore Sales Acceptance Limited | The Premier Finance Corporation Limited | Adelaide<br>Acceptance<br>Limited | Atlantic<br>Acceptance<br>(Toronto)<br>Limited | Atlantic<br>Finance<br>Corporation<br>Limited | Commodore<br>Factors<br>Limited<br>(Canadian<br>dollars) | Agencies Limited and Pay As You Study Plan Limited | Standard Discount Corporation Limited | Eliminations (See Note 2) Add or (deduct) | <u>Combined</u><br>86,908,457                             |
|--|---|---|---|-----------------------------------|--|---|--|--|---------------------------------------|---|---|
| Forward  | \$ 85,861,381   | 6,533,970   | 1,216,388                               | 970,984                           | 110,599  | 28,738,936                                    | 1,056,110  | 1,301  | 2,769,660                             | (40,350,872)                              | 80,300,437  |
| Deduct- Liabilities of the Receiver and Manager: Accounts payable and accrued liabilities Amounts due to dealers when related instalment notes and accounts  | 447,985   |   | 14,828                                  | 1                                 | 466  | 724,337                                       | 38,893   | -50  | 49,034                                |   | 1,275,593   |
| receivable are collected   | 341,645   |   | 53,656                                  |                                   |  | 44,208  |  |  | 121,604                               |   | 561,113   |
|  | 789,630   |   | 68,484                                  | {                                 | 466  | 768,545                                       | 38,893   | 50   | 170,638                               |   | 1,836,706   |
| Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965, before full provision for the fees and expenses of the Receiver and Manager  Deduct- Senior debt | 85,071,751<br>110,072,028                                 | 6,533,970   | 1,147,904                               | 970,984                           | 110,133  | 27,970,391                                    | 1,017,217  | 1,251  | 2,599,022                             | (40,350,872)                              | 85,071,751<br>110,072,028                                 |
| Deficiency (surplus) in net assets to meet<br>senior debt outstanding, before full<br>provision for the fees and expenses of<br>the Receiver and Manager   | 25,000,277  | (6,533,970)                                       | (1,147,904)                             | (970,984)                         | (110,133)                                      | (27,970,391)                                  | (1,017,217)  | (1,251)  | (2,599,022)                           | 40,350,872                                | 25,000,277  |
| Other liabilities: Subordinated debt Junior subordinated debt Due in respect of notes cancelled Accounts payable and accrued liabilities Dividends payable   | 17,260,821<br>4,476,074<br>5,138,925<br>78,706<br>249,430 |   |   |                                   |  |   |  |  |                                       |   | 17,260,821<br>4,476,074<br>5,138,925<br>78,706<br>249,430 |
| Dividendo pagasio  | 27,203,956  |   |   |                                   |  |   |  |  |                                       |   | 27,203,956  |
| Deficiency (surplus) in net assets   | \$ 52,204,233   | (6,533,970)                                       | (1,147,904)                             | (970,984)                         | (110,133)                                      | (27,970,391)                                  | (1,017,217)  | (1,251)  | (2,599,022)                           | 40,350,872                                | 52,204,233  |
| Represented by: Capital stock Advances from Atlantic Acceptance Corporation Limited  | \$ 14,455,087   | 35,662,719  | 185,618<br>3,042,764                    | 180,103                           | 3<br>251,706                                   | 100,000                                       | 10,000   | 6 31,639   | 15,000<br>2,519,022                   | (490,730) (a)<br>(86,069,907) (a)         | 14,455,087  |
| Corporation Enuited  | 14,455,087  | 35,662,719  | 3,228,382                               | 4,326,711                         | 251,709  | 32,591,631                                    | 7,933,818  | 31,645   | 2,534,022                             | (86,560,637)                              | 14,455,087  |
| Deficit- As at June 17, 1965, as adjusted to December 31, 1965 For the period from June 18 to  | 66,379,855  | 27,917,398  | 1,908,021                               | 3,242,835                         | 142,521  | 4,588,387                                     | 6,556,672  | 29,256   |                                       | (44,186,105)                              | 66,379,855  |
| December 31, 1965, represented by the loss for the period  | 279,465   | 1,211,351   | 172,457                                 | 112,892                           | (945)  | 32,853  | 359,929  | 1,138  | 133,985                               | (2,023,660)                               | 279,465   |
|  | 66,659,320  | 29,128,749  | 2,080,478                               | 3,355,727                         | 141,576  | 4,621,240                                     | 6,916,601  | 30,394   | (65,000)                              | (46,209,765)                              | 66,659,320  |
|  | \$ 52,204,233   | (6,533,970)                                       | (1,147,904)                             | (970,984)                         | (110,133)                                      | (27,970,391)                                  | (1,017,217)  | (1,251)  | (2,599,022)                           | 40,350,872                                | 52,204,233  |

## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY . RECEIVER AND MANAGER)

COMBINING STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AS AT JUNE 17, 1965

|   |  |                                    |   |                                   |  |   |  | Concourse<br>Agencies                     |                                       |   |                                      |
|---|--|------------------------------------|---|-----------------------------------|--|---|--|---|---------------------------------------|---|--------------------------------------|
|   | Compar<br>Atlantic<br>Acceptance<br>Corporation<br>Limited | Commodore Sales Acceptance Limited | rship The Premier Finance Corporation Limited | Adelaide<br>Acceptance<br>Limited | Atlantic<br>Acceptance<br>(Toronto)<br>Limited | Atlantic<br>Finance<br>Corporation<br>Limited | Commodore Factors Limited (Canadian dollars) | Limited and Pay As You Study Plan Limited | Standard Discount Corporation Limited | Eliminations (See Note 2) Add or (deduct) | Combined                             |
| Retained earnings at December 31, 1964,<br>as shown by audited financial<br>statements  | \$ 454,152   | 143,502                            | 257,842                                       | 38,5\$7                           | (3,286)  | 228,746                                       | 301,689                                      | (18,462)                                  | 602,469                               | (600,869)(a)                              | 1,404,340                            |
| Add- Transfer of first preference share redemption reserve  | 46,736   |                                    |   |                                   |  |   |  |   |                                       |   | 46,736                               |
| Deduct:   | 500,888  | 143,502                            | 257,842                                       | 38,5\$7                           | (3,286)  | 228,746                                       | 301,689                                      | (18,462)                                  | 602,469                               | (600,869)                                 | 1,451,076                            |
| Dividends -<br>First preference shares  | 7,983  |                                    |   | [                                 |  |   |  |   |                                       |   | 7,983                                |
| Second preference shares- Series "A" Series "B" Third preference shares Common shares   | 136,800<br>7,200<br>4,500<br>314,873                       |                                    | 254,253                                       |                                   |  |   |  |   | 115,315                               | (369,568)(b)                              | 136,800<br>7,200<br>4,500<br>314,873 |
| Write down of furniture and fixtures Goodwill written off   | 471,356  |                                    | 254,253<br>12,871<br>65,000                   |                                   |  |   |  |   | 115,315                               | (369,568)                                 | 471,356<br>12,871<br>65,000          |
| Loss (profit) for the period from January 1 to June 17, 1965 Premium on senior and subordinated notes   | 1,484,550<br>2,446,457                                     | (186,338)                          | 1,627,481                                     | (11,868)                          | (3,091)  | (247,282)                                     | (186,757)                                    | 10,544                                    | (43,147)                              | 369,568                                   | 2,813,660<br>2,446,457               |
|   | 4,402,363  | (186,338)                          | 1,959,605                                     | (11,868)                          | (3,091)  | (247,282)                                     | (186,757)                                    | 10,544                                    | 72,168                                |   | 5,809,344                            |
| Deficit, as shown by the unaudited financial statements at June 17, 1965  | 3,901,475  | (329,840)                          | 1,701,763                                     | (50,425)                          | 195  | <b>(</b> 476,028 <b>)</b>                     | (488,446)                                    | 29,006                                    | (530,301)                             | 600,869                                   | 4,358,268                            |
| Add- Adjustments during the period from<br>June 18 to December 31, 1965 relating to<br>the assets and liabilities at June 17,<br>1965:<br>Write-down of investment in, and advances |  |                                    |   |                                   |  |   |  |   |                                       |   |                                      |
| to, subsidiary companies-<br>Shares and debentures<br>Advances<br>Notes and accounts receivable at June 17,   | 1,727,933<br>43,775,375                                    | 9,999                              |   |                                   |  |   |  |   |                                       | (1,737,932)(a)<br>(43,775,375)(a)         |                                      |
| 1965 written off as uncollectible, less allowance for possible loss at that date Estimated provision for possible loss on collection of remainder of notes and                      | 3,215,798  | 1,266,395                          | (1,486,605)                                   | (94,691)                          | 10,826   | (152,081)                                     | 2,158,349                                    | 250                                       |                                       |   | 4,918,241                            |
| accounts receivable at June 17, 1965  Increase in unearned interest at June 17,1965   | 9,936,000<br>5 3,264,444                                   | 26,948,006                         | 1,675,000                                     | 3,399,879                         | 131,500  | 3,621,900<br>1,355,210                        | 5,094,537                                    |   | 300,000                               |   | 51,106,822<br>4,619,654              |
| Forward   | \$61,919,550   | 28,224,400                         | 188,395                                       | 3,305,188                         | 142,326  | 4,825,029                                     | 7,252,886                                    | 250                                       | 300,000                               | (45,513,307)                              | 60,644,717                           |



Concourse

|  | Compar                                  | nies in receiv                     | ership                                  |                                   |                                       |                                      | Commodore                          | Agencies<br>Limited               |                                       |   |            |
|--|---|------------------------------------|---|-----------------------------------|---------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|---|------------|
|  | Atlantic Acceptance Corporation Limited | Commodore Sales Acceptance Limited | The Premier Finance Corporation Limited | Adelaide<br>Acceptance<br>Limited | Atlantic Acceptance (Toronto) Limited | Atlantic Finance Corporation Limited | Factors Limited (Canadian dollars) | and Pay As You Study Plan Limited | Standard Discount Corporation Limited | Eliminations (See Note 2) Add or (deduct) | Combined   |
| Forward  | \$61,919,550                            | 28,224,400                         | 188,395                                 | 3,305,188                         | 142,326                               | 4,825,029                            | 7,252,886                          | 250                               | 300,000                               | (45,513,307)                              | 60,644,717 |
| Deferred charges written off-<br>Unamortized long-term debt  |   |                                    |   |                                   |                                       |                                      |                                    |                                   |                                       |   |            |
| financing expenses Unamortized cost of investment in subsidiary companies in excess of book value at date of                             | 1,080,497                               |                                    |   | 1                                 |                                       |                                      |                                    |                                   |                                       |   | 1,080,497  |
| acquisition  | 175,784                                 |                                    |   | 1                                 |                                       |                                      |                                    |                                   | 100,000                               | 726,334 (a)                               | 1,002,118  |
| Prepaid expenses Unamortized cost of developing  | 408,308                                 | 7,435                              |   | Ì                                 |                                       | 144,429                              |                                    |                                   |                                       | (1)(a)                                    | 560,171    |
| new branches Leasehold improvements, less  | 119,469                                 |                                    |   | 1                                 |                                       | 374,916                              |                                    |                                   |                                       |   | 494,385    |
| accumulated depreciation  Loss arising when an asset of one of the companies, having a book value  | 6,110                                   |                                    |   | 1                                 |                                       | 15,519                               |                                    |                                   |                                       |   | 21,629     |
| of \$750,000, was seized by the bank<br>in partial satisfaction of their<br>loan of \$614,001<br>Write-down of fixed assets to estimated |   | 135,999                            |   | 1                                 |                                       |                                      |                                    |                                   |                                       |   | 135,999    |
| realizable value Adjustment (net) in liabilities   | 22,050                                  | 1,186                              | 7,613                                   |                                   |                                       | 43,955                               | 894                                |                                   |                                       |   | 75,698     |
| recorded at June 17, 1965 Adjustment of income taxes, mainly in respect of the year ended December 31, 1964 recoverable as               | (18,772)                                | 2,200                              | 10,250                                  | 380                               |                                       | 77,131                               | 26,875                             |                                   |                                       |   | 98,064     |
| a result of losses in 1965   |   | (123,982)                          |   | (12,308)                          |                                       | (371,964)                            | (235,537)                          |                                   | (68,684)                              |   | (812,475)  |
| Value assigned to shares of Great Northern Capital Corporation Limited Adjustment of foreign exchange on notes payable in United States  | (700,000)                               |                                    |   |                                   |                                       |                                      |                                    |                                   |                                       |   | (700,000)  |
| dollars based on exchange rates<br>at December 31, 1965<br>Amount received in excess of<br>miscellaneous account receivable              | (534,616)                               |                                    |   |                                   |                                       |                                      |                                    |                                   |                                       |   | (534,616)  |
| recorded at June 17, 1965  | -                                       |                                    |   |                                   |                                       | (44,600)                             |                                    |                                   |                                       |   | (44,600)   |
|  | 62,478,380                              | 28,247,238                         | 206,258                                 | 3,293,260                         | 142,326                               | 5,064,415                            | 7,045,118                          | 250                               | 331,316                               | (44,786,974)                              | 62,021,587 |
| Deficit at June 17, 1965,<br>as adjusted to December 31,<br>1965   | \$66,379,855                            | 27,917,398                         | 1,908,021                               | 3,242,835                         | 142,521                               | 4,588,387                            | 6,556,672                          | 29,256                            | (198,985)                             | (44,186,105)                              | 66,379,855 |
|  |   |                                    |   |                                   |                                       |                                      |                                    |                                   | (470,703)                             | (++,100,103)                              | 00,3/3,033 |

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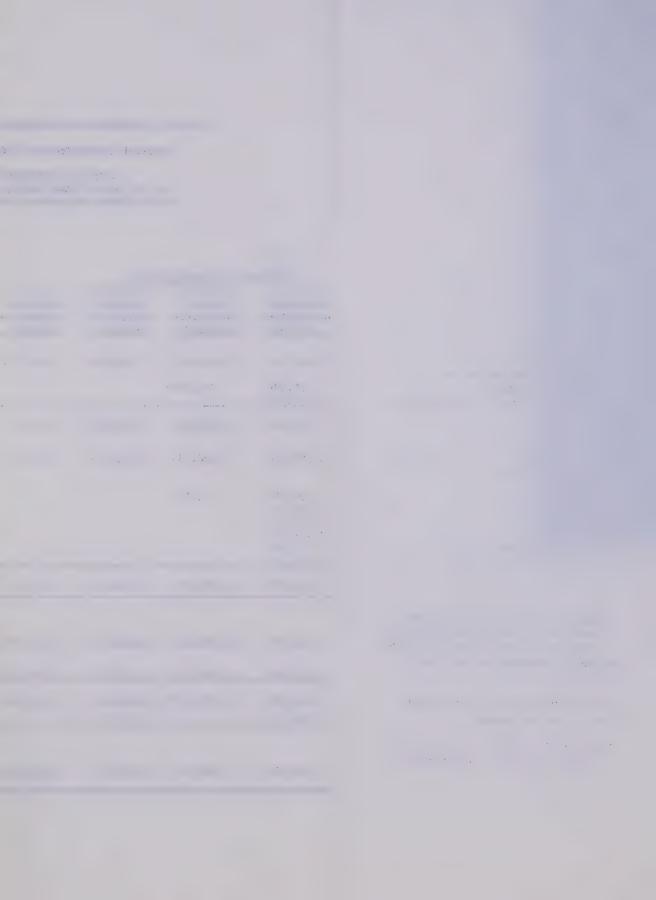
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## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINING STATEMENT OF LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

|  | Compar<br>Atlantic<br>Acceptance<br>Corporation<br>Limited         | Commodore Sales Acceptance Limited | ership The Premier Finance Corporation Limited | Adelaide<br>Acceptance<br>Limited | Atlantic<br>Acceptance<br>(Toronto)<br>Limited | Atlantic<br>Finance<br>Corporation<br>Limited | Commodore<br>Factors<br>Limited<br>(Canadian<br>dollars) | Concourse Agencies Limited and Pay As You Study Plan Limited | Standard<br>Discount<br>Corporation<br>Limited | Eliminations (See Note 2) Add or (deduct) | <u>Combined</u>  |
|--|--|------------------------------------|--|-----------------------------------|--|---|--|--|--|---|--|
| Operating income: Interest   | \$3,492,532  | 1,433,835                          | 183,469  | 143,937                           | 12,122   | 2,934,565                                     | 426,005  | 78   | 451,009  |   | 9,077,552  |
| Management fees charged to subsidiary companies Dividends from subsidiary companies                      | 58,889<br>369,568  | (46,389)                           |  |                                   |  |   |  |  | (12,500)                                       | (369,568)(b)                              |  |
|  | 3,920,989  | 1,387,446                          | 183,469  | 143,937                           | 12,122   | 2,934,565                                     | 426,005  | 78   | 438,509  | (369,568)                                 | 9,077,552  |
| Operating expenses: Administrative Interest on notes-  | 5,200,740  | 206,259                            | 1,715,672                                      | 12,210                            | 274  | 1,618,290                                     | (30,167)   | 9,718  | 276,796  |   | 9,009,792  |
| Senior debt- Bank advances Short-term Medium-term Long-term Subordinated debt Junior subordinated debt   | 105,706<br>1,126,107<br>116,382<br>1,159,988<br>391,228<br>105,156 | 14,127                             |  |                                   |  | 45  |  |  | 263  |   | 120,141<br>1,126,107<br>116,382<br>1,159,988<br>391,228<br>105,156 |
|  | 8,205,307  | 220,386                            | 1,715,672                                      | 12,210                            | 274  | 1,618,335                                     | (30,167)   | 9,718  | 277,059  |   | 12,028,794   |
| Excess of operating expenses over operating income before interest on advances and income tax adjustment | 4,284,318  | (1,167,060)                        | 1,532,203                                      | (131,727)                         | (11,848)                                       | (1,316,230)                                   | (456,172)  | 9,640  | (161,450)                                      | 3 <b>6</b> 9,568                          | 2,951,242  |
| Interest on advances to subsidiary companies   | 2,417,589  | (980,722)                          | (95,278)                                       | (119,859)                         | (8,757)  | (871,093)                                     | (269,415)  | (904)  | (71,561)                                       |   |  |
| Loss before income tax adjustment  Income taxes recoverable  | 1,866,729<br>382,179   | (186,338)                          | 1,627,481                                      | (11,868)                          | (3,091)  | (445,137)<br>(197,855)                        | (186,757)  | 10,544   | (89,889)<br>(46,742)                           | 369,568                                   | 2,951,242  |
| Loss for the period, as shown by the unaudited financial statements at June 17, 1965                     | \$1,484,550  | (186,338)                          | 1,627,481                                      | (11,868)                          | (3,091)  | (247,282)                                     | (186,757)  | 10,544   | (43,147)                                       | 369,568                                   | 2,813,660  |

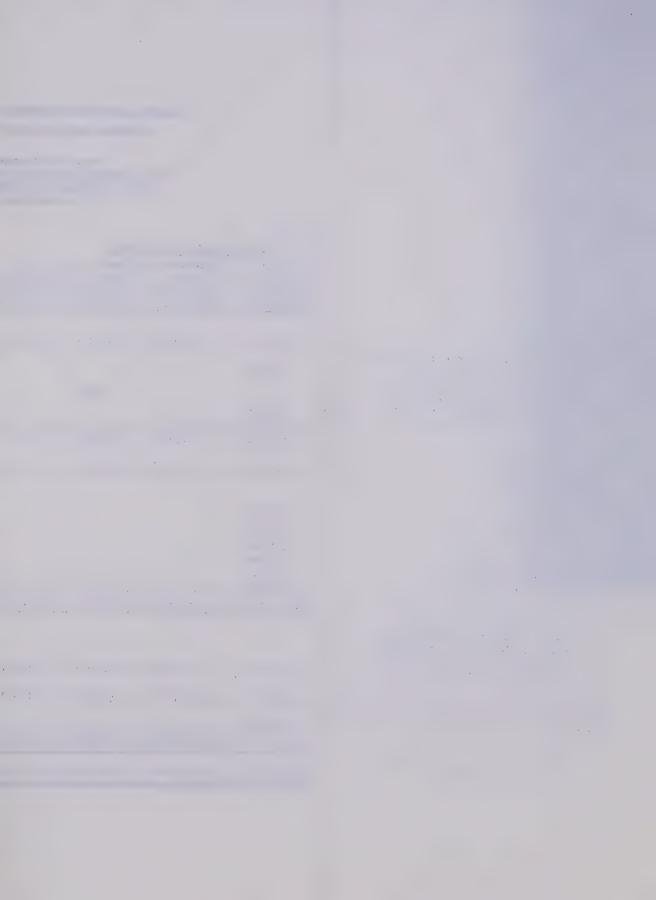


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## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

# COMBINING STATEMENT OF LOSS FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965, WHILE THE OPERATIONS WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER

|   | Compa   | nies in receiv                              | ership                                  |                                   |  |   | Commodore                                   | Agencies Limited                           |                                       |  |   |
|---|---|---|---|-----------------------------------|--|---|---|--|---------------------------------------|--|---|
|   | Atlantic<br>Acceptance<br>Corporation<br>Limited                              | Commodore<br>Sales<br>Acceptance<br>Limited | The Premier Finance Corporation Limited | Adelaide<br>Acceptance<br>Limited | Atlantic<br>Acceptance<br>(Toronto)<br>Limited | Atlantic<br>Finance<br>Corporation<br>Limited | Factors<br>Limited<br>(Canadian<br>dollars) | and<br>Pay As You<br>Study Plan<br>Limited | Standard Discount Corporation Limited | Eliminations<br>(See Note 2)<br>Add or<br>(deduct) | Combined  |
| Operating income:     Interest     Interest on advances to Lucayan Beach     Hotel and Development Limited     Interest on receivable from Standard | \$3,982,530<br>66,348   | 22,984                                      | 14,154                                  | 28,278                            | 14,460   | 3,028,565                                     | 34,578                                      |  | 712,482                               | (95,948) (c)                                       | 7,742,083   |
| Discount Corporation Limited Management fee charged to subsidiary company Interest on marketable securities   | 167,500<br>100,114  |   | 30,000                                  |                                   |  |   |   |  | (30,000)<br>(167,500)                 |  | 100,114   |
|   | 4,316,492   | 22,984                                      | 44,154                                  | 28,278                            | 14,460   | 3,028,565                                     | 34,578                                      |  | 514,982                               | (95,948)   | 7,908,545   |
| Operating expenses: Administrative Interest on notes-   | 1,596,156   | 53,152                                      | 137,704                                 | (2,166)                           | 3,843  | 1,920,122                                     | 56,189                                      | 50   | 562,037                               | (95,948) (c)                                       | 4,231,139   |
| Senior debt- Bank advances Short-term Medium-term Long-term Subordinated debt Junior subordinated debt Interest on notes cancelled                  | 243,723<br>1,265,529<br>147,405<br>1,492,424<br>540,999<br>142,366<br>124,425 |   |   |                                   |  |   |   |  |                                       |  | 243,723<br>1,265,529<br>147,405<br>1,492,424<br>540,999<br>142,366<br>124,425 |
|   | 5,553,027   | 53,152                                      | 137,704                                 | (2,166)                           | 3,843  | 1,920,122                                     | 56,189                                      | 50   | 562,037                               | (95,948)   | 8,188,010   |
| Excess of operating expenses over operating income before interest on advances and provision for the net loss of subsidiary companies               | 1,236,535   | 30,168                                      | 93,550                                  | (30,444)                          | (10,617)                                       | (1 100 //2)                                   | 21 (11                                      |  |                                       |  |   |
| net loss of substituting companies  | 1,230,333   | 30,100                                      | 93,330                                  | (30,444)                          | (10,01/)                                       | (1,108,443)                                   | 21,611                                      | 50   | 47,055                                |  | 279,465   |
| Interest on advances to subsidiary companies Less- Provision for the net loss of subsidiary   |   | (1,181,183)                                 | (78,907)                                | (143, 336)                        | (9,672)  | (1,141,296)                                   | (338,318)                                   | (1,088)                                    | (86,930)                              |  |   |
| companies   | 2,023,660   | /1 101 100                                  | 4-4                                     |                                   |  |   |   |  |                                       | (2,023,660) (a)                                    |   |
|   | 957,070   | (1,181,183)                                 | (78,907)                                | (143, 336)                        | (9,672)  | (1,141,296)                                   | (338, 318)                                  | (1,088)                                    | (86,930)                              | 2,023,660  |   |
| Loss for the period   | \$ 279,465  | 1,211,351                                   | 172,457                                 | 112,892                           | <b>(</b> 945)                                  | 32,853  | 359,929                                     | 1,138                                      | 133,985                               | (2,023,660)  | 279,465   |



## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## NOTES TO COMBINING FINANCIAL STATEMENTS AS AT DECEMBER 31, 1965

## 1. Basis of preparation of combining financial statements:

The combining financial statements are presented for purposes of illustration only; reference should be made to the financial statements of the various companies and the notes pertaining thereto in considering their financial position and results of operations.

Except for the adjustments referred to in the next paragraph, the amounts appearing in the combining financial statements are in agreement with the financial statements of the individual companies included therein or those of the Receiver and Manager in the case of the companies in receivership. However, to facilitate the elimination of the inter-group assets and liabilities and income and expenses, certain accounts have been rearranged in the combining statements.

The following adjustments have been made in the accounts included in the financial statements:

Commodore Sales Acceptance Limited - In Receivership - These accounts have been restated to include interest charged by Atlantic Acceptance for the period from July 29 to December 31, 1965. As explained in Note 5 to the Statement of Deficiency in Net Assets of Commodore Sales, such interest was not reflected in the accounts of the Receiver and Manager of that company as at December 31, 1965.

Standard Discount Corporation Limited - The net assets of Standard Discount for purposes of consolidation have been written down by approximately \$470,000, primarily by increasing the estimated allowance for possible loss on collection of the receivables by \$365,620 and writing off the goodwill of \$100,000, to reduce the net assets of the company to the carrying value of the investment on the books of Atlantic Acceptance.

## 2. Eliminations on combining the financial statements:

The amounts shown in the eliminations columns of the combining statements (a) eliminate the inter-group investments and advances, (b) eliminate the dividends paid by wholly-owned subsidiaries to the parent company, and (c) eliminate the inter-company discount allowed on the sale by Premier Finance of notes and accounts receivable to Standard Discount.

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